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FINANCIALTIMES





Conflict prevention

If you can film it, it isn't working

Edward Mortimer, Page 12



American Express

Golub goes all out for links with banks

Cooking the books to qualify for Emu

WEDNESDAY JANUARY 29 1997

Clarke says UK could be in first wave of Emu

UK chancellor Kenneth Clarke (below) denied that the UK was unlikely to be in the first wave

of those joining European monetary union, following a cabinet statement that mone tary union was "very unlikely" to take place on time on January 1 1999, Mr Clarke said that if the single currency went ahead as little as six months later, Britain might well join.

World Business Newspaper http://www.FT.com

Meanwhile, Robin Cook, the opposition Labour party's foreign affairs spokesman is advising fellow European Union states that a Labour government would not be in the first wave of those joining. Page 14; Interviews, Page 9

LucasVarity considers buy-backs: Anglo-US engineering group Lucas Varity raised the prospect of reducing dividend payments and rewarding investors instead with share buybacks. Page 15; Lex, Page 14

Bearings maker to switch investments: FAG Kugelfischer, Germany's biggest maker of roller bearings announced a switch in its investment programme away from Europe to reflect the greater opportunities for growth in Asia and North America. Page 15

Brussels attacks import barriers: The European Commission threatened to take France, Italy, Belgium, Germany and Spain to court for allegedly blocking on spurious grounds the sale of goods from other EU states. Page 3

Brazil averts row over food imports: A row between Argentina and Brazil has been averted by Brazil's decision to delay new requirements for health clearances on food imports. Argentinians will use the breathing space to try to overturn the measures.

Shipyard subsidies threatened: US trade officials were attempting to salvage a multilateral pact to eliminate shipbuilding subsidies in OECD countries in the face of opposition from Senate majority leader Trent Lott. Page 8

Japan sets out plan to control deficit: The Japanese government is planning legislation to bring its growing budget deficit under control over the next decade, using targets similar to those used by the European Union for its planned single currency. Page 6

Hong Kong is to take part in an IMF emergency fund to help countries threatened with economic crises. The move is seen as an important step in the territory's bid to secure its position as a financial centre before its return to Chinese sovereignty. Page 6; Lex, Page 14; Albania seeks help from IMF, Page 2

Rover exports top 50% of sales: UK carmaker Rover, owned by BMW of Germany, last year sold more vehicles outside the UK than in it for the first time. Page 9

israel plans Bezeq sell-off: The Israeli government plans to sell a 28 per cent stake in state-owned telecommunications network Bezeq this year and reduce its stake to zero as soon as possible, communications minister Limor Livnat said. Page 15

Novartis to increase dividends: Pharmaceuticals group Novartis, formed from the merger of Basle rivals Ciba and Sandoz, plans to increase its dividends to more than 30 per cent of retained earnings, chief executive Daniel Vasella said. Page 15

Zoneca expects £1bn profits: Zeneca, the UK's third biggest pharmaceuticals company, said profits for 1996 would be in line with expectations of about £1bn.

Spain leads France in tourism earnings Spain overtook France in tourism samings last year, figures from the Madrid-based World Tourism Organisation show. Page 8

Test drawn: A last-wicket stand of 106 gave New Zealand a draw against England on the final day of the first cricket test at Auckland. At lunch the home team had been facing an innings defeat. Scores: England 521; New Zealand 390 and 248 for nine.

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tions and home investors. E STERLING "Our basic priority is to the offer - Morgan Stanley of World Trade News

CONTENTS Technology Arts Guide .

FT/SP-A Wild Indices.

The global co-ordinators of Villalonga brings banker's

int. Band Service Meneged Funds 25-27 Money Markets ... Landon SE .

South Korea fears corporate bankruptcies after collapse of Hanbo building group

Seoul to support banks with \$7bn

By John Burton in Secul

South Korea's finance ministry will inject \$7bn of emergency funds into the banking system over the next week, in a bid to prevent any corporate bankruptcles in the wake of the collapse of Hanbo, the steel and construction group.

Mr Kim Young-sam, the South Korean president, yesterday cancelled a trip to Europe planned for March, to deal with the biggest financial crisis of his administration.

The finance ministry said yesterday that central bank funds would be used to avoid a credit crunch among Hanbo's

banks that lent almost \$6bn to Hanbo for an ill-fated steel Hanbo's main steel and

yesterday filed for court receivership. Its main creditor banks promised to finance the completion of the \$6.7bn steel mill that brought down the group. The steel mill would be

sold later to recover part of the

construction subsidiaries

Hanbo loans. In an attempt to boost the Seoul bourse, the government announced it would allow local unit trusts to launch at least \$1bn in equities funds for that corrupt government

market reacted coolly to the measures by closing 0.27 per cent lower at 662.85 points after a day of volatile trading. Prosecutors launched an investigation into how Hanbo

position. Police raided the home and offices of Mr Chung Tae-soo, Hanbo's founder, and barred the heads of Hanbo's four main creditor banks from

leaving the country. Mr Kim ordered the probe into the Hanbo loan scandal after opposition parties alleged

subcontractors and shore up foreign investors. But the officials exerted pressure on yesterday questioned the industrial protests yesterday the banks to provide credit to

> The Hanbo scandal has further embarrassed Mr Kim's administration, which has suffered a sharp fall in secured such huge loans popularity owing to strikes despite its shaky financial and public protests over a controversial labour law that the government pushed through parliament a month

> > Analysts believe the labour strife and the Hanbo collapse could harm the ruling party's chances in this year's presidential election, which successor. The opposition

impartiality of the official investigation into Hanbo. It described key justice

officials as being close political allies of Mr Kim. "It is all too predictable that the investigation will end in a cover-up," said a spokesman for the main opposition party.

The opposition is demanding a bipartisan parliamentary investigation and the appointment of a special independent prosecutor, but the government has rejected these proposals.

Meanwhile, the outlawed orchestrated this month's according to the government.

said it was ending its weekly strikes to prepare for a nationwide stoppage next month.

It is uncertain whether the Confederation of Trade Unions will be able to revive the dissipating anger among workers for another nationwide strike, set for

February 18. The confederation is demanding that the government nullify a new labour law passed in December that provoked the industrial action. The labour action cost will choose Mr Kim's union umbrella group that about \$2bn in lost production,



In his grasp: Asian Maskhadov yesterday appeared to be the easy winner of Chechyna's presidential election. Report, Page 14 Rosses

Beijing buys into HK's power

Lucas in Hong Kong

arm of the Chinese government's flagship investment vehicle, is paying HK\$18.25bn (\$2.1bn) for a 20 per cent stake in China Light & Power, one of the territory's biggest utility companies and the monopoly electricity supplier to the

Kowloon peninsula.

The deal is the latest step in a re-shaping of Hong Kong's corporate landscape sheed of in July. Both companies said it would strengthen their operations and that the alliance would help develop said Mr Michael Kadoorie,

By Tom Burns and Dayld White in Maddd

reletonics. Spain's telecoms group, is considering a drestic reduction in the number of

shares it will offer to foreign

institutions in its privatisation

next month in order to meet strong demand in the retail

Mr Juan Villalonga, Telefon-

ica's chairman, said yesterday

that up to 75 per cent of the

Pta600hn (\$4.4bn) disposal of

the government's remaining 21

per cent stake in the group could be routed to the domes-

Such an allocation is unprec-

edented in Spain and illus-

trutes the growth of the

domestic equity market. The

Telefonics disposal is three

times larger than any previous

share offer by the Spanish gov-

ernment. Past privatisations

have seen at most an even

weighting in the offer struc-

ture between foreign institu-

dê marketa.

Citic Pacific to spend \$2.1bn Citic Pacific, the Hong Kong for 20% stake in China L&P

> increase the number of share- . the US and the domestic instiholders," Mr Villalonga seld in tutions Argentaria, Banco Bil-

nower umlects in China. Citic Pacific, which is headed by Mr Larry Yung, son of China's vice-president, said it would participate actively in the development of CLP and that the move was part of its strategy of expanding its infrastructure activities.

"CLP's financial strength with Citic Pacific's relationships in China, will put CLP in a very strong position,"

Telefónica may cut share

offer to foreign investors

have them".

an interview. "Every one who

wants shares in Spain will

investors is already 6.4 times

subscribed, less than half way

through the pre-registration period for the retail tranche

which opened on January 20

Mr Villalonga claimed a

and said domestic retail

demand by yesterday totalled

more than 500m shares, from

Telefonica's issue will comfort-

ably surpass the government's

target of doubling the company's 600,000 shareholders.

contrasts strongly with Tele-

fónica's offer document earlier

this month which allocated 42

per cent of the 171m shares to

be floated on February 17 to

foreign institutions and 8 per

cent to Spanish institutions.

The structure of the disposal

This demand suggests that

some 800,000 small savers.

"really impressive success"

The offer for domestic small

chairman of the utility. His family, one of Hong Kong's oldest business dynasties, will

retain a stake of 26.6 per cent, reduced from 33.3 per cent, after the issue of new shares. Citic Pacific said it would finance the deal internally or with bank borrowings, raising the possibility that it might the territory's return to China and management, together sell some of its strategic shareholdings in other Hong Kong companies and prompt further corporate upheaval. Speculation centred on its 8

bao Vizcaya and La Caixa, the

Barcelona savings bank - look

certain to raise the retail

tranche of the offer to 60 per

cent when the preregistration

period ends on February 10.

They could raise it further on

February 17 when the book-

building period ends and the

ica would consolidate its Latin

American assets, and use its

Presentations for interna-

tional investors begin at the

end of this week. Mr Villa-

longa said he would emphasise

Telefónica's growth potential

in Spain, where telephone

usage is below the western

European average, and in

Latin America where Tisa, its

international unit, controls

and manages local operators in

Argentina, Brazil, Chile and

mind to telecoms, Page 19

cash flow to lower its debt.

final price is announced. Mr Villalonga said Telefon-

per cent holding in Hongkong Telecom, the territory's domi-

While previous deals in

nant telecommunications

group, which is controlled by Cable and Wireless of the

Continued on Page 14 Editorial Comment, Page 13; Lex, Page 14; Balance of HK

Wall Street rises on weak labour costs

By Gerard Baker in Washington

Wall Street was buoyed yesterday by further evidence of the weakness of inflationary pressures in the economy.

Overall employment costs rose by just 2.9 per cent last year, the labour department said. Although a slight increase from a year earlier, this was still well short of the acceleration in costs normally associated with the current low rate of unemployment.

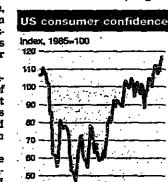
In late afternoon trading the Dow Jones industrial average which had been up more than 100 points earlier in the session, was nearly 50 points higher at 6,708.41, after four consecutive days of decline.

The benchmark 30-year treasury bond recovered much of the ground it had lost last week. By mid-morning it was up 1% points, with the yield falling to 6.85 per cent from 6.94 per cent late on Monday.

Markets shrugged off the closely watched consumer confidence report, also released yesterday, which showed US consumers more confident power, Page 20 | about their economic circumstances than at any time this decade, an indication they might be about to embark on a spending spree that could reignite inflation.

The labour department said total employment costs rose by 0.8 per cent in the last three months of 1996, a slight acceleration from the previous quarter, but still much more slowly than many Wall Street economists had feared. With productivity growth for the

> Continued on Page 14 Markets, Page 33



1990 91, 92 93, 94

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Rexrodt under fire on cable TV sell-off

Mr Günter Rexrodt, Germany's economic minister, was slapped down yesterday by a cabinet colleague when he proposed that Deutsche Telekom, Europe's largest telecommunications group. should sell its extensive cable tele-

Mr Rexrodt said such a sale would send "a positive signal" about Germany's commitment to entering the telecoms and multimedia markets. But his remarks pro-

Gibraltar in

Wolfgang Bötsch, post and telecommunications minister, who accused Mr Rexrodt of making "careless comments" and of creating confusion by straying into areas beyond

his responsibility.

Deutsche Telekom's cable network connected 16.7m households at the end of last year and had a turnover of DM2.5bn (\$1.57bn) in 1995. Analysts believe it could be worth DM10bn. Mr Bötsch said the federal government had no powers competition and reduce barriers to to force a disposal, and that there were already measures in place to ensure access to the market by

He said Mr Rexrodt's view was an "isolated opinion" and did not reflect any agreement within the government.

The row came ahead of a meeting today at the post and telecommunications ministry when would-be competitors will demand Germany establishes a strong and effective regulatory authority after the abolition of Deutsche Telekom's monopoly in public telephone services from January next

Possible new public services providers, including overseas companies, fear a politically driven regu-

latory system that protects the interests of Deutsche Telekom, still majority-owned by the state even after its partial privatisation in November. There has already been alarm at the prospect of licences costing more than DM40m - and of a delay in the introduction of an

effective regime. The German chamber of industry and trade said in its submission released yesterday that the aim should be "the breaking-up of former monopolies and the creation of competition". An independent regulatory authority was "a must", it

Mr Rexrodt's remarks might provide some cheer because his minis try is expected to take responsibility for the new telecoms regulatory authority after Mr Bötsch's department is dismantled at the end of

this year.
Possible competition abuses by European groups controlling cable as well as telephone services are being investigated by the European Commission. Some observers argue that by keeping a tight rein on its cable business, Deutsche Telekom is preventing the network being used to offer a rival telephone ser-

EUROPEAN NEWS DIGEST

Greeks renew farm protests

Greek farmers began a new round of protests yesterday to press economic demands despite government threats to use force to stop them blocking roads. They plan to occupy public buildings across central Greece and to block the main north-south railway.

Government officials said rlot police were on standby near Karditsa in the north, scene of a rally yesterday, and the central town of Larissa, headquarters of the protest movement. The justice minister, Mr Evangelos Yannopoulos, accused Communists of being behind the

Farmers are demanding lower fuel costs and cuts in value-added tax on farm equipment, higher price supports, especially for cotton, and a \$1.3bn rescheduling of debts to the state Agricultural Bank. A 25-day blockade in December paralysed road traffic and left thousands of trucks stranded along highways.

Reuter, Athen

Belgian party offices raided

A corruption scandal surrounding one of Belgium's four coalition government parties intensified yesterday when police raided the Brussels headquarters of the francophone Socialist party. The raid, in which several boxes of documents were seized, followed the arrest of two former senior Socialist officials last week as part of long-running investigations into claims that the party received bribes from Dassault, the French aviation group, in the late 1980s.

The officials, Mr Merry Hermanus and Mr François Pirot, were charged on Monday in connection with allegations that they took BFr30m (\$900,000) from Dassault in 1989 as a contribution to party funds. Dassault denies any wrongdoing.

Mr Hermanus has implicated Mr Guy Spitaels, a former national minister and Socialist party president, now president of the Walloon regional assembly, in the affair by claiming he knew of the contribution. Mr Spitaels lenies knowledge.

Opposition politicians have called on Mr Jean-Luc Dehaene, Flemish Christian Democrat prime minister, to drop the French Socialist party from the coalition government and call an election. Mr Dehaene says the matter is for the courts to decide. Neil Buckley, Brussels

Bonn insists it will make Emu

The German government insists in its annual report on the economy, published yesterday, that it will meet the criteria for European economic and monetary union despite revising upwards its forecast for this year's public

The report forecasts that the overall government deficit will be 2.9 per cent of gross domestic product in 1997, only narrowly below the 3 per cent limit prescribed in the Maastricht treaty and higher than the 2.5 per cent deficit forecast that underpins the 1997 federal budget.

Unlike the government, the private bankers' association said Germany's capacity to meet the 2.9 per cent forecast was questionable and called for the utmost determination in consolidating public budgets. Peter Norman, Bonn

Call for easier budget rules

Rules enforcing budgetary discipline in the future European single currency risk exacerbating recessions in EU economies, warns Professor Barry Eichengreen, an economics professor at the University of California. He argues that countries should be allowed to run larger budget deficits when unemployment is high.

Under the budgetary stability pact agreed at the Dublin summit, countries in the single currency are penalised for running budget deficits in excess of 3 per cent of gross domestic product, the limit prescribed in the Maastricht treaty. But Prof Eichengreen says this means would be unable to use fiscal policy properly to offset rising unemployment and falling output. They would be forced to raise taxes and cut public spending in times of recession.

"By creating a structure that constrains both the monetary and fiscal independence of the Emu member states, the Maastricht treaty threatens to create an exceedingly rigid and fragile European economy," he writes in the National Institute of Econonomic and Social Research's quarterly review. Graham Bowley, London

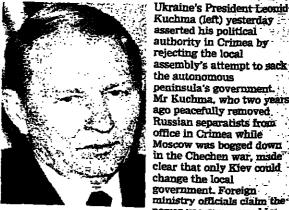
Warning on euro concessions

Mr Alexandre Lamfalussy, president of the European Monetary Institute, forerunner of the European Central Bank, warned this week that concessions to countries like Britain and Denmark over the future euro payments system could hinder a smooth start to the single

If countries outside European monetary union had the same access to Target (the planned payments system) as those in Emu, this could lead to increased demand for euros outside the Emu area and thus make it harder for the ECB to operate monetary policy. Germany and France strenuously oppose the British view that non-Emu countries should have unlimited access to Target.

In its recently published monetary policy framework for the ECB, the European Monetary Institute laid out various ways in which the central bank could limit the volume of intra-day credit granted to non-Emu countries Andrew Fisher, Frankfurt

Kuchma cracks Crimea whip



Kuchma (left) yesterday asserted his political authority in Crimea by rejecting the local assembly's attempt to sack the autonomous peninsula's government. Mr Kuchma, who two years ago peacefully removed. Russian separatists from office in Crimea while Moscow was bogged down in the Chechen war, made clear that only Kiev could change the local government. Foreign ministry officials claim the

President Boris Yeltsin's illness in Russia has emboldenes leaders in Simferopol, the Crimean capital. The majority

Bid for Bewag confirmed

US utility Southern Company has bid for Berlin's electricity company Bewag, it was confirmed yesterday. Two German conglomerates, Viag and Veba, which are acting as a consortium, also said they would be bidding

The Berlin Senate, which hopes to raise DM3bri (\$1.9bn), will decide next month which bid to accept. The city's

Albania seeks help from IMF By Kevin Done and

By Emma Tucker in Brussels

Mr Peter Camana, the chief minister of Gibraltar, yesterday launched a fierce attack on Spain's treatment of the British colony during a highprofile visit to Brussels. The minister, elected last Union

attack on Spain

over 'isolation'

year, accused Spain of actively seeking the exclusion of Gibraltar from crucial European Union matters as if the Rock "were not an intrinsic part" of the EU.

"The people and government of Gibraltar condemn Spain for seeking to isolate Gibraltar from the EU and for eroding and curtailing the legitimate exercise of our EU rights," said Mr Caruana.

In Brussels to seek EU assistance in resolving some of Gibraltar's grievances against Spain, Mr Caruana listed a number of "abuses" by the Spanish authorities.

Among these he cited a ban on maritime and air links between Spain and Gibraltar, restrictions placed on airlines approaching Gibraltar airport, a refusal by Spain to recognise Gibraltarian identity cards, and a refusal to recognise the island's international telephone code.

Mr Caruana said the Gibtion in Brussels would uree the Commission to initiate Spain where there were clear breaches of the EU treaty.

"Spain operates the land

By Andrew Jack in Paris

The leading French water

companies yesterday lashed

out at a critical report from

the Cour des Comptes, the

public sector watchdog, into

the management and provi-

sion of water supplies across

The report highlighted

sharp rises in prices over the

last few years, lack of trans-

parency in the way contracts

have been managed and inef-

Its conclusions are signifi-

increasingly involved in con-

tracts and control of opera-

tors outside France. The

analysis also has implica-

tions for local authorities

handling water contracts

rates outside Paris have

increased on average by

nearly 50 per cent in 1990-94,

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Jonkopura The Financial Times Limited 1997

The report says water

across the EU.

THE FINANCIAL TIMES

SEI VHL. GERMANY:

ficient administration.

the country.

French water

groups attack

watchdog report

cant partly because the high levels of control which

"There are no red and green customs channels in operation, most vehicles are nelled into a single file regardless of volume. Such border regimes are unknown in the western world let alone within the European

Mr Caruana's visit has prompted hostility in the Spanish press The Spanish authorities are wary of any moves by Gibraltar to represent itself on the international stage, preferring it to operate via the British foreign office. Britain had welcomed Mr Caruana's less abrasive style.

It was hoped that his appointment would help to revive the stalled dialogue between London and Madrid over crime and smuggling in Gibraltar and plans for the shared use of the local air-

atmosphere has been overshadowed by the decision of Mr Caruana's government to follow its hardline predecessor's policy of boycotting the talks on the grounds that officials from the colony are not given powers of veto.

The government of Gibraltar wants and seeks good. raltar government delega- neighbourly relations and mutual co-operation with Spain but we do not believe legal proceedings against that in the Europe of today we are entitled to these things only if we agree to disappear from the map of border in a way that often Europe and succumb to leads to very long delays in Spanish aspirations over crossing," said Mr Caruana. Gibraltar," said Mr Caruana.

partly in response to the

heavy investment required

made "vigorous manage-

ment even more necessary".

ticises excessive dispersion

to small local authorities

managing water contracts,

imperfect supervision of and

inadequate competition for

contracts, and poor levels of

However. Générale des

Eaux, the utilities group

called the criticisms largely

"out of date", stressed the

widely praised abroad.

petition and transparency.

come after Lyonnaise last

week took the unprece-

dented step of suing the

French government for fail-

ing to meet its legal obliga-

tions under EU directives to

The action served partly to

demonstrate to the con-

sumer that private contrac-

tors often receive criticism

for water quality and high

tariffs when responsibility is

shared with local authorities

Joue-les-Tours in central

France, one of the authori-

ties highlighted in the Cour

des Comptes report after a

112 per cent increase in tar-

iffs in 1990-94, yesterday

stressed it was fighting to

The official report made

no comment on the exten-

sive allegations of political

party contributions and brib-

ery which have surrounded

a number of companies pro-

viding water and other ser-

vices to local authorities in

the past, and which have

triggered a series of judicial

reduce rates.

investigations.

and national government.

limit nitrate levels.

information.

The Cour des Comptes cri-

The Albanian finance ministry and central bank are seeking help from the International Monetary Fund to overcome the finan-

dent Sali Berisha's rightwing government struggles to find ways of delivering its promise to reimburse desperate investors, while avoiding the danger of triggering runaway inflation. "The situation is by embracing privatisation dynamic," said a western and achieving the highest financial official in Tirana. rate of economic growth and

cial crisis caused by the col-

lapse of fraudulent pyramid

The timing of a mission

from the IMF, expected in

Tirana soon, has become

bighly sensitive, as Presi-

investment schemes

"It is important to regulate the liquidation of these schemes and to find ways of minimising the economic and political costs." Western governments, in

particular the US, have been pushing for democratic and economic reforms in the wake of the country's controversial general election last summer, in which the ruling Democratic party scored an overwhelming vic-tory amid allegations of bal-ations with Albania last to this. There is going to be lot rigging, intimidation and violence. Albania had been seen as



several days of violent pro-

one of the lowest inflation rates in the region.

After a strong start from mid-1993 to mid-1995, the first \$63m IMF programme ran into trouble as the government switched its attention to ensuring a general election victory. Measures planned for the third year were not carried out and the programme lapsed in mid-

autumn on a new three-year economic support programme, but the talks have one of the success stories of taken on a sudden urgency, transition in east Europe as the collapse of the pyra-and a model pupil of the IMF mid schemes has sparked

tests across the country. The government now faces desperate policy choices, as it tries to balance the IMF demands for far-reaching reform, in particular of the banking system and the budget, with the commitment given by Mr Aleksander Meksi, prime minister, to start paying back defrauded

threatens to undermine the budget and stoke inflation. a lot of disruption in Albania, however the problem is approached," a western official said.

investors as early as next

Wednesday, a process that

its at high interest rates. These companies claim the deposits are used to finance productive investments, but in the absence of any published balance sheets or other financial information, bankers have expressed concern over the quality of their

bave bad their deposits in

state banks frozen, the gov-

ernment has yet to tackle the problem of some of the

country's leading private-

sector companies, which

have also been taking depos-

Some of the companies claim to be among Albania's biggest employers and have a close relationship with the government, having backed While some of the pyramid the Democratic party to win

Villagers vote for a neighbour

Chrystia Freeland visits the new Chechen president's home

and fire their rifles into the nya has been tormenting the Soviet army, serving in unlikely. Until just a few of the election of their kinsman and neighbour. Mr mistaken if it imagines that Aslan Maskhadov, as Chech- under Mr Maskhadov's leadnya's president.

and he will be a good presi-ratist ambitions. "If Aslan dent," said Mrs Asya Alla- had wanted to make a combaieva, standing outside the ornate green gate to her courtyard. "He is a simple. to improve quality. This direct man, and he can find a common language with everyone. With him we will

> Thousands of miles away, amid the traffic-choked streets of Moscow, the reac- adorned with Arnold tion to Mr Maskhadov's triumph was almost equally enthusiastic. Although he was the military leader of Chechnya's two-year battle to drive out the Russian army, the Kremlin sees Mr Maskhadov as a man with whom it can do business.

water companies cited are now exist and said the Last summer, Mr Maskhaapproach in France was dov negotiated the five-year postponement of a formal Lyonnaise des Eaux, its resolution of Chechnya's staleading rival, said the report tus, giving Moscow the figconcluded that overall water leaf it needed to withdraw. He was was also helped by management was generally satisfactory, and drew attenthe emergence of Mr Shamil Basayev as a powerful elec-toral rival. Mr Basayev tion to three recent laws which have intensified comachieved mythic status The latest revelations nearly two years ago by

fter staying up all Russian city of Budennovsk. night to watch the In Moscow, that exploit ballot count on televi- made Mr Basayev public sion, the delighted villagers enemy number one, and the of Pervomaysk were prepar- prospect of him being of his boyhood passion and civil war. ing to slaughter their sheep elected president of Chech- rose quickly in the ranks of air yesterday in celebration Kremlin officials for weeks. But Russia will be sorely

ership Chechnya will "He is a good neighbour abruptly set aside its sepapromise with Russia, he would have done it two years ago, before fighting and winning this costly war," argued Mr Alkhazur Abdullatev, a bodyguard keeping watch outside Mr

Maskhadov's home. As he leaned on a rifle Schwarzenegger stickers, Mr. Lithuanians can do this. Abdullaiev insisted the new president "will bring freedom and independence to Chechnya, because he led our fighters to their victory." Mr Maskhadov's biography

appears to confirm his bodyguard's analysis. Like all the Chechens of his generation, the 45-year-old war leader was born on the wind-swept plains of Kazakhstan, to which Stalin had exiled the entire nation in the 1940s. As his older sister recalled yesterday, when Mr Maskhadov was just a year old, a gypsy fortune-teller predicted he would become a

After the family returned to a disgruntled Mr Basayev Chechnya, Mr Maskhadov might make an physical bid began to build a career out for power, provoking a new the Far East and Hungary. The turning-point came in

the late 1980s, when Mr Maskhadov, by then a colonel, was posted to Lithuania. His move coincided with the Baltic state's pioneering bid for independence. After four years there, he returned home to help Chechnya pursue the same course. "He learned from Lithuania," said Mrs Sulva Mask-

hadova, the new president's niece. "He said the Lithuanians did the right thing, and then he came back here and told us, 'Right, if the then it must the proper course for my people, too'."

ince that innocent moment, Mr Maskha-dov and the Chechen people have proved their commitment to independence by waging a long and bloody war against soldiers they describe as "the Russian occupiers". After the euphoria of the week's election dissipates, even more difficult times may lie ahead. Mr Maskhadov's first challenge will be to find a modus vivendi with Mr Basayev,

who won one-third of the famous general. Even as a vote and commands a pasleading a hostage-taking raid small boy he showed an apti- sionate following among the on a hospital in the southern tude for guns and a keen separatist fighters. Moscow

interest in military strategy. observers have warned that Yesterday, that seemed

> months ago, the two rivals were the closest of comrades. Mr Maskhadov's only grandchild is named Shamil in Mr Basayev's honour and. as the votes came in, Mr Basayev's aides said their candidate might well accept a cabinet position in the new administration. Much more difficult to

> manage will be Chechnya's relations with Russia. The best anyone can hope is that neither side will expose too aggressively the elaborate hypocrisy that brought an end to the war. With luck, the Kremlin

will continue to insist that Chechnya is a part of the Russian Federation while carefully ignoring the fact less within Chechnya's borders. Chechnya, in turn, will continue to behave like an independent state without being too bothered by Russia's pronouncements, it is a nakedly false arrangement, but it is all that separates Chechnya from another war.

Will Mr Maskhadov succeed in establishing an independent Chechnya? "What kind of question is that?" Mrs Allabaieva exclaimed. "We already consider Chechnva independent. Even the smallest child knows that,"

Proposals on German pension system reject radical shake-up

By Peter Norman in Bonn

The report of the German government's pension reform commission chaired by Mr Norbert Blüm, the labour minister, has confirmed expectations it would renounce a radical reform of the country's pay-as-you-go pension system. Published this week it rejects the

many's state pension system, as urged last year by the government's council of economic advisers. It urges expansion of company and private pension provision, but proposes reduced pensions and increased contributions as the main way of enabling the present "contract

between the generations" to cope with

increased life expectancy and the pres-

sure this puts on contributors.

......

transition to a funded system for Ger-

The commission proposes a "demo- tion with bringing up children, includgraphic component" in the way penns are calculated that will result in a fall in pay-outs to about 64 per cent of average net incomes by 2030 from around 70 per cent at present.

If adopted, this would limit the increase of contributions, which are shared by employers and employee, to 22.9 per cent of gross wages, against 20.3 per cent today and an anticipated jump to 25.9 per cept if pensions are not cut. Mr Blûm's commission has urged a

crackdown on loopholes that allow call for increased taxation of pensions some self-employed and those with low-paid second jobs to stay out of the

It also wants the taxpayer to contribute around DM17bn (\$10.6bn) a year to a "family fund" that would pay

ing pension contributions in periods when parents leave the labour force. The government's tax reform commission, which reported last week, included politicians as well as experts and produced recommendations due to form the basis of draft legislation. The Blum Commission comprised pension specialists only. Chancellor Belmut Kohl's coalition will have to determine whether its recommendations can form the basis for change.

By rejecting the tax commission's and by demanding the channelling of more tax payments into the pension system, the Blüm Commission has pu itself on collision with Mr Theo Waigel, finance minister, and other advocates of a marked cut in tax burdens. costs assumed by the state in connec- Editorial comment, Page 13



power vacuum caused by .

ethnic Russian region was transferred from Russian to Ukrainian territory in 1954 when both were part of the Soviet Union. Its status has strained relations between Matthew Kaminski, Kiev

for a 50.8 per cent stake in Bewag currently held by the city. The size of bids was not revealed.

finance senator has expressed interest in selling Bewag to a foreign company, but has run into local opposition on this. The Viag-Veba bid, which is being handled through their respective subsidiaries Bayernwerk and Preussenwerk, could face opposition from the German

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JE NEM M to get around of internation

Brussels

targets

import

barriers

By Emma Tucker in Brussels

The European Commission

is threatening to take

France, Italy, Belgium, Ger-

many and Spain to court for

allegedly blocking on spuri-

ous grounds the sale of vari-

ous goods from other EU

As part of a drive to shore

up the single market ahead

of economic and monetary

union in 1999, the Commis-

sion is taking the countries to task for alleged breaches

The latest cases include:

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MANUARY 29 1997

Italy's treasury minister, Mr Carlo Azeglio Ciampi, has proposed bringing next year's budget forward to this summer to ensure that public accounts are in order to meet the criteria for joining the European single currency.

The proposal, floated informally in Brussels, has yet to be adopted by the centre-left coalition. But yesterday, Mr Romano Prodi, the prime minister, gave the idea a cautious welcome.

By Robert Graham in Rome

budgetary change, if agreed, posals merely confirm the [centre-

opposition backing, not least because the 1998 budget will seek an overhaul of pensions, reformed sea-change in the political atmosphere and recognition from the opposition that tackling Italy's public finances is so important as

to justify consensus politics. The opposition, however, has reacted warily, having dissociated itself from the 1997 budget measures. Mr Pierfernando Casini, leader one of its small centrist Mr Clampi is anxious that the groupings, said: "Mr Clampi's pro-

should be introduced with full left] Olive Tree coalition is unable allay fears among Italy's EU part- recovery, the level of receipts and to take Italy into Europe. But if he is conveying a different message to the opposition, opening up a new only in 1995. This would require a form of government, then we are open to dialogue."

Italy may advance its 1998 budget

(Section)

If the budget were advanced, the package of measures would almost certainly run through until 1999. In this way Italy would also satisfy its 3 per cent deficit this year. obligation to the EU to provide (by May) a medium term convergence plan that shows clearly the measures intended to bring the budget deficit down to 3 per cent of gross domestic product and below. The proposal reflects concern to

sufficient structural adjustments to on debt service. Bringing forward sustain the Maastricht conver- the 1998 budget would also get deficit overshot its target by L30,000bn (\$19bn) to reach 7.4 per cent of GDP. This has seriously undermined the aim of reaching a

NEWS: EUROPE

The government had previously April to find an extra L20,000bn. By would be able to assess more accu- public accounts. rately the degree of the economic Personal View. Page 12

ners that its budgetary policy lacks the impact of lower interest rates gence criteria. Last year's budget round legal problems which otherwise complicate a reform of pensions this year.

Apart from political hurdles, the proposal may founder on the simple clogging up of parliamentary business. Parliament will already been considering a corrective pack- have to cope with a constitutional age at the end of March or early reform commission reporting at the end of June, plus legislation waiting until later in the year, it reforming the civil service and the



Belgium accused of cooking books on debt

Belgian debt

1987 89 91 93 95 97

ular sectors or unions. Many

social funds, of which all

Belgians are members, pre-

date creation of the national

welfare structure after the

According to when funds

second world war, or even out of private banks rapidly

safely on track to avail Critics suspect financial sleight of hand, writes Neil Buckley, but government safety on track to qualify for European mone insists it is merely ensuring fair play for the country under Maastricht rules tary union, Belgium is facing some awkward questions about the methods it is using to reduce its \$300bn debt

The finance minister, Mr Philippe Maystadt, was another, the government is forced to issue a four-page response to a parliamentary question last week on a programme to encourage state and "para-state" bodies to invest in government bonds. Later this week, Eurostat, the European Union's statistical office which vets member states' accounts and statistics, is expected to examine the same issue.

Critics charge Belgium with covertly persuading regional and local government and social security bodies, some of them in the private sector, to withdraw surpluses held with private banks and invest them in government bonds. The effect: to reduce the national

In some cases, they add, funds were shifted for a mat- ciently diminishing and institutions pass the money ter of days, but, crucially, approaching the reference to private sector social

debt is calculated. Since these operations do is projected to fall to 127 per

reduction, but merely moving money from one place to the Flemish MP who challenged Mr Maystadt, labelled it "New Year а merry-go-round of treasury

certificates". Belgium's success in debt reduction could be vital to qualification for monetary union. With gross public debt last year at 130 per cent of gross domestic product, hitting the 60 per cent Maastricht "reference value" this year is unthinkable.

Instead, since it should be able to meet the other criteria on inflation, interest rates, currency levels and government deficit, Belgium hopes that by demonstrating that its debt at least meets the definition of being "suffi-

it will still qualify. The ratio not constitute actual debt cent this year, a 10-point drop since 1993.

Mr Maystadt and his officials argue that Belgium's being accused of "cooking unusually decentralised the books". Mr Rik Daems, social security system means that, without undertaking these operations, it would be unfairly penalised by Maastricht rules. Unlike the UK, for exam-

ple, where ministries distribute central treasury funds, the Belgian welfare system is administered by an armslength National Office of Social Security. This collects contributions from employers and workers, plus a small state contribution, and channels funds back through five "pillars", handling unemployment benefits, health insurance, pensions, subsidised holidays for certain workers, and child allowances.

are received and paid out. Within each pillar, public surpluses develop at various points in the pillars. Since the money is often held in

tricht rules it is not taken into account in debt calcula-Gross public debt (% of GDP) tions. Belgium's extensive local government bodies similarly often hold surpluses in private banks.

The only way to stop Belgium being penalised, officials say, is to persuade local government and social funds to invest surpluses in public bonds to ensure the money is taken into account. They add that the govern-

ment openly announced its intentions when it presented the 1997 budget last October. What the government did not make explicit, however, was that many operations would be short-term. Officials admit some last only days, since demanding that public bodies shifted funds

Belgium's foundation in and permanently could cause a banking crisis. Officials argue the operations are "structural" since they are being carried out whenever possible during the year, not just in

general overhaul of social fund management. Not everyone is convinced.

Critics claim the fund shifting includes not just local government and social funds but even publicly-owned enterprises - a charge the government denies.

They add that welfare payments traditionally made in December have been shifted to January 2 to maximise available funds at the year's end. Officials say payment dates are unchanged and long established.

conomists dispute that that operations can be called structural. "They are 'structural' only to the extent that they will happen every year," says Mr Peter Praet, chief economist at Belgium's biggest bank. Gén-

érale de Banque. Mr Johan Van Overtveldt, a Flemish economic journalist, last week suggested the

true reduction in Belgian

deficit figures might also be higher than official calculations. The government has not responded to his analy-

Mr Praet believes there is no economic argument against the operations. But, given they amounted to only BFr120bn (\$3.5bn), or about 3 point of the 3.5 percentage point debt reduction plan this year, and are open to misinterpretation, they may be ill-advised.

They could damage the credibility of what he regards as an otherwise sound programme, which includes using a BFr222bn surplus on gold sales and a BFr75bn privatisation pack-

Eurostat is now thought likely to scrutinise the operations, and, after being criticised for approving a controversial French plan to use FFr37.5bn in pension fund transfers from France Télécom to reduce the budget deficit, could take a

ranging from blocking overstated that its budget imports of alcoholic drinks in France, to the refusal by Spain to sell loose tea.

 Alcoholic drinks in France. Under French law a social security contribution stamp has to be placed on all bottles of alcoholic drink with an alcohol content of more than 25 per cent by volume. This makes imports more expensive as the stamp has to be attached manually. whereas it is printed at the labelling stage for domestically produced drinks.

• Tow bars in Italy: The Italian authorities have refused to approve trailer tow bars which have been approved in other member states. This has prevented people from registering vehicles they have bought outside Italy.

• Baby food in Germany: The Commission believes German rules laying down maximum limits for pesticide residues in baby foods are too stringent. The effect of the law is to ban the sale of products produced lawfully in other member states which, although they slightly exceed the German residue limits, do not represent any danger to health, according to Brussels.

• Loose tea in Spain: Under Spanish law tea must be sold in sealed packets that cannot be divided, even in the presence of the consumer who might want to blend different varieties. As a result, tea marketed lawfully in bulk in other states cannot

be imported into Spain. The states concerned have two months to respond or to amend their legislation.

ronmental legislation.

debt was being so heavily over December 31 - the day value at a satisfactory pace", funds, often set up by partic- private banks, under Maas-December, and are part of a Bulgarian Socialists determined to retain power

By Theodor Troev and John Hamilton in Sofia

Bulgaria's governing Socialists vesterday brushed aside weeks of demonstra- government. tions, strikes and calls for early general elections and tional right to try to new government.

In so doing, Mr Nikolai Dobrev, the former interior minister, rejected President Petar Stovanov's advice to surrender immediately the

mandate to form a government - which the president had been obliged to offer under the constitution - and . open the way for a caretaker

The premier-designate stood by the Socialists' coninsisted on their constitu- stitutional right as the largrenewal of the four-year mandate they won at elections in December 1994. The decision was quickly

Union of Democratic Forces (UDF), "If the Socialists form a cabinet it will last for only two or three months, and we will face a moratorium on the foreign debt no later than June," he

warned. Mr Dobrev said he would ernment of experts. This is a device used by

the Socialists in 1990 and condemned by Mr Ivan Kos- again from 1992-94 to retain toy, leader of the opposition power behind the facade of a

non-party government Mr Stovan Alexandrov

confirmed yesterday that he had been approached to join the proposed government but had declined. As finance minister in the second such government, he renegotiated Bulgaria's then \$8.6bn Londebt in 1994.

"I would not like to be part of a government in this parliament," he said yester-

Mr Georgy Parvanov, the jacket in place.

which included legislation to introduce a currency board as proposed by the International Monetary Fund last November. The BSP argues that a

introduced before parliament is dissolved so that elections can take place towards the end of the year with the financial strait-

Socialist party secretary,

said his party had drawn up

an anti-crisis programme

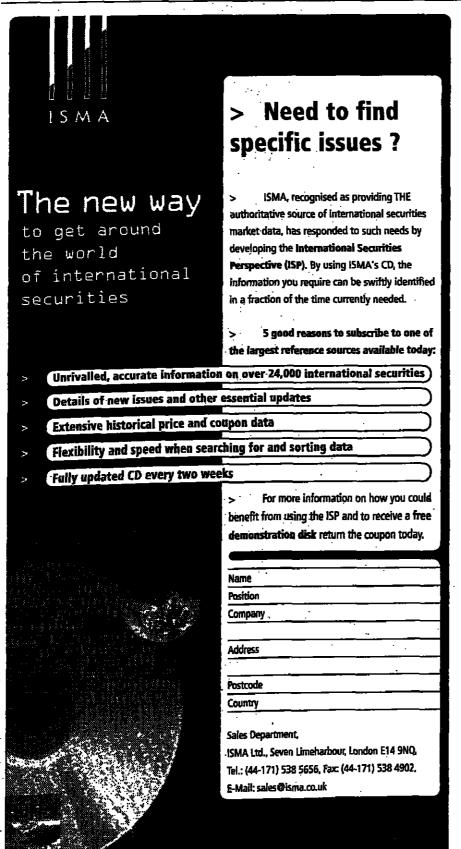
The UDF argues that elec- goods from stores and is tions must take place as soon as possible so that the incoming government has a clear mandate to introduce a tough monetary regime which ties domestic currency supply to the level of

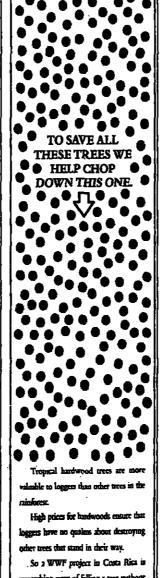
With n ment in sight, the lev cent devaluation in a week.

wiping out domestic savings. At the same time, how

ever, foreign bankers point out that rapid lev devaluation is also quickly eroding the value of Bulgaria's domestic debt overhang. The posed one of the main onesdropped below 1.000 to the tion marks over the feasibildollar yesterday, a 50 per ity of a currency board when the idea was origi-Hyperinflation is already nally mooted two months

mend to the European court today the levels of fines it believes Italy and Germany should pay for defying rulings to comply with EU envi-





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Air crashes fuel insurance rate fears

By Christopher Adams, Insurance Correspondent, in London

A surge in disasters involving western-built jet aircraft has fuelled concerns that London-based insurers could be heading for a period of damaging unprofitability if they continue to cut rates in markets such as aviation and marine insurance.

The number of fatalities from aircraft accidents during 1996 was the second highest on record as 25 western-built airliners crashed, the Institute of London

Underwriters said in its annual report.

Mr Nigel Jenkins, ILU chairman, said insurers would be putting themselves seriously at risk by cutting prices further after several years in which over-capacity and intense competition had sent insurance rates tum-

The ILU represents companies operating in the London market, which often acts as a benchmark for worldwide

Pressure on prices and a higher incidence of aircraft and marine losses come as

strengthen reserves for business written several years ago. Total claims last year were \$2,09bn (\$3,49bn). Premium income amounted to

The unavoidable erosion of profit margins may bring some collective sense back to the market, but really it is up to individual members to stand firm and put underwriting profit before market share to achieve stability,"

the ILU said. Over 1,400 people were killed in airline accidents in 1996, up from 380 the previ-

insurers are having to ous year, resulting in a jump in the cost of passenger liability claims.

The value of hull losses has risen from \$418m to \$477m, pushing the cost of vestern built airliner losses towards \$1.3bn. This figure is expected to rise when the cause of the TWA flight 800 crash off New York is identi-

Four big losses in the satellite insurance market accounted for the bulk of \$491m (£303m) in provisional losses for the space risks the cost of aviation and account. Ariane 5, the Euromarine claims could force pean space rocket which

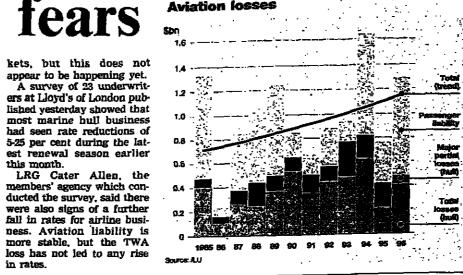
onds after launch, was not insured

The ILU report confirmed that the number of shins weighing more than 500 tonnes lost last year rose to 105 from 95, and is expected to exceed 120 as partial ses become total.

Passenger and crew deaths creased to 1,190 from 316. largely because of a ferry disaster on Africa's Lake Victoria.

A sustained increase in the cost of aviation and rates back up in these marappear to be happening yet. A survey of 23 underwriters at Lloyd's of London published vesterday showed that most marine hull business

had seen rate reductions of 5-25 per cent during the latest renewal season earlier this month. LRG Cater Allen, the members' agency which conducted the survey, said there



Push for world labour standards secrets

By Robert Taylor,

The international trade union movement plans to try to persuade global corporations to introduce core labour standards when union leaders participate for the first time in the annual conference of the World Economic Forum in Davos, Switzerland, next week.

Mr Bill Jordan, general secretary of the International Confederation of Free Trade Unions (ICFTU). which claims to represent 124m workers in 137 countries, will lead the delegation of union leaders from France, the US, Germany, South Africa and Japan. They will discuss the future of the global economy with bankers, financiers, industrialists and economists.

"The fact we have been invited to the conference for the first time shows that the world's leading businessmen are growing increasingly concerned at the way the global economy is running out of control and causing widespread damage," Mr Jordan said in London yesterday. "The vast majority of employers are decent people and they do not want to profit from gross exploita-

The ICFTU, in alliance with a number of the international industry-based labour federations, wants to focus attention on multinational companies which unions believe have a corporate conscience

Mr Jordan spoke of "half a dozen corporate leading ical purposes, it can grant players who drive the forces | the men amnesty. of the global market", and might be persuaded to set an example to other international companies. He is due to meet other union leaders in Washington next week to discuss the introduction of "global codes of conduct" in relations with employers.

In bypassing the estabinternational employer organisations and going directly to companies. Mr Jordan believes real progress can be made. He said any initiative stood a better chance if it came from reform-minded companies.

The trade unions have made little progress in their efforts to persuade governments to accept core labour standards in trade agreements. Only last month they failed to make the full breakthrough they had hoped for on the issue at the World Trade Organisation summit in Singapore, despite strong support from the US admin-

Mr Jordan will be holding a private meeting on Sunday at Davos with Mr Renato Ruggiero, secretary-general of the World Trade Organisation and Mr James Wolfensohn, head of the World Bank, to discuss his international labour agenda

Biko may unleash further

By Roger Matthews in Johannesburg

South determination to investigate the worst human rights scored an important success yesterday when several former security officers admitted killing Steve Biko, the prominent black activist.

National Congress said yes could be revealed.

Mr Biko's death in police custody nearly 20 years ago provoked a storm of protest and contributed to the inter national isolation of South Africa. A 15-day official inquest into Mr Biko's death decided his massive bead wounds had been caused accidentally when police attempted to restrain him.

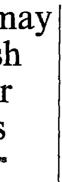
More than 15,000 people including diplomats from most western countries, attended Mr Biko's funeral and the film of his life, "Cry Freedom", attracted huge audiences around the world.

The Truth and Reconciliatton Commission, set up by parliament to investigate human rights abuses and grant amnesties where applicable, said yesterday an unspecified number of officers had admitted assault and culpable homicide. If the commission decides they have made a full confession, and the murder was committed for polit-

family are bitterly opposed to granting amnesty and principle underlying the truth commission is that it tion by encouraging those who committed offences to admit their crimes and receive amnesty. Officials said yesterday it was the prospect of amnesty which had elicited the truth about

Archbishop Desmond Tutu, who beads the commission, has warned that those who do not come forward will face threat of prosecution throughout their lives. The deadline for applications has been extended to March, with more than 4,500 applications received, and many pending.

forward will increase the cians to seek amnesty. amnesty, only one member of the former National Party government has applied.



abuses of the apartheid era

The ruling African terday's breakthrough could lead to more senior police officers admitting the truth so that the "political masterminds" behind their actions

Members of Mr Biko's believe the killers should face trial. However, the should promote reconcilia-

Mr Bìko's death.

Truth Commission staff believe decisions by more and more senior security and police officers to come pressure on leading politi-Although four members of the cabinet are seeking



Italy calls for peace initiative in Algeria

By Roula Khalaf in London

Italy is to ask the European Union to launch a peace initiative to try to end Algeria's civil war. The Italian move came as

Mr Abdelhak Benhamouda. leader of the powerful Imstrong trade union and an ally of President Liamine Zeroual, was assassinated.

Mr Benhamouda's killing was the latest incident in a recent wave of bomb attacks and massacres blamed on Islamic extremists.

in an interview with L'Unità, the Italian newspaper, Mr Piero Fassino, a foreign ministry under-secretary, said the European Union must act to halt a five-year conflict that It has long underestimated. "The time has come to make up for lost time, developing an initiative which restores rights, freedom and democracy in the country," he

said. "The EU has to assume a more determined role."

The Italian initiative, to be presented next week at a meeting of foreign ministers of France, Spain, and Italy. will be welcomed by Algerian opposition groups who have long called for outside mediation. The conflict erupted in 1992 after the army stepped in to cancel elections an Islamist party

was about to win. The army-backed Algerian government, however, says t faces a terrorist threat from Islamic radicals which can only be dealt with by force. Officials see attempts at mediation as Interference

in Algeria's domestic affairs. Mr Benhamouda's killing outside the union's headquarters in the centre of Algiers is a blow to Mr Zeroual who, only last Friday in an address to the nation. vowed to exterminate terrorto mobilise support for the Algerian president in the November 1995 elections. He recently announced that he would step down from the General Union of Algerian Workers (UGTA) to form a political party.

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The initiative was believed to be aimed at grouping pro-Zeroual organisations to ensure the election of a presidential bloc in the legislative poll scheduled for the first half of this year.

Mr Benhamouda escaped an attack on his life in 1992 but his brother and cousin were killed the following year. He was a staunch anti-Islamist who supported cancellation of elections in 1992.

The killing of Mr Benhamouda shocked Algeria's political class. "This is a blow to the whole political scene," said Mr Noureddine Ait Messaoudine, an official of

Sudan pays the price for backing radicals

Islamic extremist support has isolated Khartoum from Arabs and the west, says Mark Huband

udan's failure to gain Support from neigh-bouring Arab governments in its fight against opposition forces in the east and south of the country is the price it is paying for backing radical Islamic groups in those countries. The Khartoum regime is

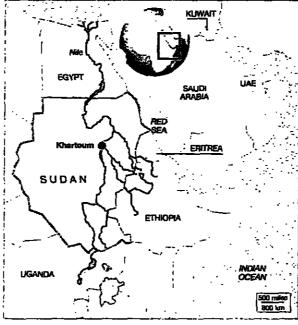
now as isolated from key Arab countries as it is from the west, notably the US, where it stands accused of sponsoring international ter-Mr Al-Zubeir Mohamed Saleh. Sudan's vice-presi-

dent, and other officials last week completed a tour of Arab states. Their hosts in Egypt and Saudi Arabia supported the unity of Sudan in the face of southern Sudanese demands for self-determination, but the Sudan officials failed to convince them that the current regime was the best guarantor of that unity. Arab countries have only

clarified their positions since the grouping of Moslem northerners with southern Christians under the umbrella of the anti-government National Democratic Alliance (NDA) led to attacks on eastern Sudan from Eritrea earlier this montb.

As the threat to Khartoum intensifies, Qatar has offered to mediate. Jordan, Yemen. Iraq, Iran and the United Arab Emirates have all voiced support for Khartoum, but do not appear to have offered logistical assis-

The clashes have given Arab states a lever with which to demand that Khartoum end its backing of Islamic radicals in their countries. By publicly associating with northern Moslems opposed to the Khar-



toum regime, the states, particularly Egypt, can put pressure on Khartoum without necessarily strengthening the non-Moslem southerners, whose wish for secession all Arab states

strongly oppose.
Egypt's refusal to countenance the secession of the south, despite its antagonism towards Khartoum, has stemmed from its desire to prevent the waters of the Nile being diverted by another state along its

banks. But the more pressing issue of Sudan's political direction is now determining Egypt's policy. Earlier this month Egypt's President Hosni Muharak said: "What is going on in Sudan? The Sudanese people are kind, but their ruling regime has changed this kindness into violence and terrorism, and has ruined the country and

destroyed its economy.' Egypt's determination to isolate the government of Lt Gen Omar Hassan El-Beshir,

Sudan's president, has intensified since Sudan was implicated in an attempt to assassinate Mr Mubarak in Addis Ababa in 1995. However, Egypt subsequently argued against an

arms embargo on Sudan as part of United Nations sanctions in response to the assassination attempt, as this would have undermined Khartoum's war effort to stop southern secession. One observer in the region said: "The situation in cials have had direct con-

Sudan is particularly difficult for Egypt. It's clear that there's no compatibility between the current Khartoum regime and Egypt. On the other hand it's a long-standing position that Egypt is against anything



Sadiq El-Mahdi: opposes southern secession, but now accepts referendum on it should take place

damned if it does and damned if it doesn't."

On January 3 the Egyptian government provided Mr Sadiq El-Mahdi, leader of Sudan's opposition Umma party and a former Sudanese prime minister, with official protection and allowed him to hold a press conference in Cairo.

Egypt has never accorded such honours to the leaders of the southern factions opposed to the Khartoum government, with whom Mr El-Mahdi is now allied in the NDA. However, Cairo offitacts with the leader of the main southern faction, Col John Garang of the Sudan Peoples' Liberation Army. Col Garang has denied the

NDA coalition, of which he is the overall military leader. is seeking the secession of that would lead to the divi- the non-Moslem south. But

sion of Sudan. Egypt is this is because of the southerpers' failure to achieve their political aims, and because he does not want to deter northern support for the anti-government coalition. Mr El-Mahdi, once a vehement opponent of a referendum on southern secession, now accepts that it should take place, though he intends to campaign against

> heavily indebted Sudanese government \$1m (£616,000) a day and has claimed up to 1m victims from fighting and famine since 1982. The country - the largest in Africa - is \$1.7bn in arrears on loans to the International Monetary Fund, and has a total external debt of \$20bn. \$17bn of it in arrears, according to an IMF director.

The failure of Sudan's end of the year.

non-Moslem southern and eastern neighbours - Eritrea, Ethiopia, Kenya and Uganda - to broker peace in 1995, stemmed largely from the absence of Arah pressure on the Khartoum government to find a solution to the 40-year northsouth conflict. Cairo is now facing domes-

tic criticism from Islamic organisations sympathetic to Khartoum's claim that its war against the southerners is an Islamic jihad or holy war, despite the presence of Moslems within the NDA.

Egypt's Islamist Labour party claimed the fighting in eastern Sudan was an international plot inspired by the US, Israel, Ethiopia and Eritrea. A similar view was expressed by the influential Moslem Brotherhood.

However, even the radical Islamic groups with which Sudan has openly associated now view the Khartoum government as having lost credi-

The expulsion - under strong US pressure - from Khartoum last year of Mr Osama Bin Laden, a dissident Saudi Arabian alleged to be a major financial backer of opposition to the Saudi Arabian royal family, is interpreted by Islamic groups as a sign that Khartoum has weakened in the The war costs the face of international isolation.

"If Bin Laden had not been expelled, then people would be ready to help Sudan. But nobody is going to come to their help, because they have shown that they're not prepared to go right to the end and defy the pressure from the west," said an insider of one Islamic group. He predicted the government would be ousted by the

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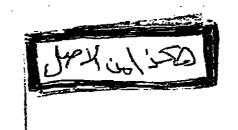
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NEWS: THE AMERICAS

Republicans attack Clinton nominee over covert policy on secret Iran arms supplies to Bosnia

Lake faces tough battle to head CIA

الإذامان

By Bruce Clark in Washington

Prospects for Mr Anthony Lake being confirmed as director of the US Central Intelligence Agency have been damaged by Republican charges about the manner in which he "winked" at Iraman arms supplies to Bosnia.

A 600-page report by a House subcommittee, leaked in part to the Associated Press, shows Republicans are unhappy at his refusal to testify under oath, and at conflicting tales of how

the covert policy was promulgated. Mr Peter Galbraith, US ambassador in Croatia, told investigators Mr Lake, as national security adviser, had con-

smile" a decision to let Iran send arms to Bosnia in defiance of a UN embargo. Neither Mr Lake nor his European adviser Ms Jenonne Walker - the supposed recipient of this non-verbal mes-

being made. What is not in question is that in April 1994, the Clinton administration, fearful of Bosnia's Moslem-led government suffering further military reverses, took a decision not to oppose Iranian supplies of weapons to Sara-

sage - could recall any such gesture

The report quotes Mr Sandy Berger, currently national security adviser and

veyed with "raised eyebrows and a then deputy to Mr Lake, as saying it on a "dedicated public servant." would be "dynamite to do a record" of the decision to ignore an embargo which the US was nominally supposed to be enforcing.

> Lake presented President Bill Clinton with a series of policy options, ranging from open approval of the arms ship- to an increase in Iranian influence in ments to open opposition, as they were flying to the funeral of ex-President Richard Nixon.

House Democrats, in a lengthy dissent from Republican conclusions, said the Republican complaints about Mr Lake's account of the policy amounted to a "shameful" casting of aspersions leine Albright, the new secretary of

House Democrats have defended Mr Lake's policy of secrecy on grounds that it was necessary to avoid upsetting European allies. A congressional It also describes a scene in which Mr aide said the issue was "potentially very serious" because of the sensitivity of any policy decision that could lead south-eastern Bosnia. Another put the chances of Mr Lake being confirmed at

no better than 50-50. The looming controversy over Mr Lake is in sharp contrast with the speed and virtual unanimity with which the Senate confirmed Mrs Made-

state, and Mr William Cohen, the new defence secretary.

In a separate dispute, Republicans have raised questions about two other Clinton administration nominees - Mr Rodney Slater and Ms Alexis Herman over their involvement in last year's presidential election while holding government jobs. Mr Slater was expected to be endorsed as transportation secretary, but there was greater uncertainty about the confirmation prospects of Ms Herman, whom Republicans want to question about her role in arranging "coffee mornings" at the White House for generous contributors to the cam-



Anthony Lake: facing flak

Clinton wins plaudits on budget deficit

By Gerard Baker

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The US federal budget deficit will be smaller over the next five years than previously forecast, the non-partisan Congressional Budget Office said yesterday. But it said the deficit was still set to rise, and warned that without policy changes it would be substantially higher by the year 2002 than current

White House projections in a report on the outlook for the deficit, the CBO said stronger economic growth and weaker-than-expected increases in the cost of publicly provided health insurance had combined to push its forecast for the deficit lower. On unchanged policies, the gap is set to rise from \$107bn in the current fiscal year to \$188bn in 2002. about a third lower than it

forecast last May. The report is a significant fillip for President Bill Clinton as he prepares to unveil his budget to Congress next week, with the central target of achieving budget balance by 2002. But in presenting the report to the Senate Budget Committee, Ms June O'Neill: the CBO director. said the outlook for the economy over the next five years was unpredictable and

warned against compla-"Despite the encouraging reduction in the baseline deficits, balancing the budget by 2002 may not be easier this year than last," she said. Last year the president and Congress reached agreement on limited spending reductions only after a long and acrimonious battle.

The CBO report underlined the progress made in the last six years towards eliminating the fiscal deficit. In 1991 the deficit reached almost 5 per cent of gross

it is expected to be 1.4 per cent. Much of the progres was the result of strong economic growth, but important policy changes had also contributed to a reduction in the

non-cyclical part of the defi-But the report pointed out that after five years of decline, the deficit is set to rise again this year and in subsequent years, to a little

over 2 per cent of GDP by The CBO warned that if Mr Clinton and Congress are to achieve their aim of budget balance by 2002, without tax increases, significant further progress must be made

in cutting spending. Overall cuts totalling about \$154bn will have to be found if the deficit is to be eliminated by that year. The remaining \$34bn would be produced from the beneficial effects on the economy of a

reduced deficit. In his budget next week Mr Clinton is likely to claim that the cuts needed are somehat smaller, at about \$100bn.

But the gap between the CBO's estimate and the White House's is much smaller than it has been in the last few years.

Much of the president's proposed cuts will come from reductions in the Medicare budget, the health insurance system for the elderly, which may prove politically explosive.

The report warned that the longer-tern outlook for the public finances was grim. The approaching retirement after 2010 of the so-called baby boom generation, those now in their 40s and early 50s, would add significantly to the burden of social security, the public retirment pension programme, and Medicare.

Cuban growth fund set up

By Pascal Fletcher

Bahamas-based investment company is setting up a mutual fund, the Cuba growth fund, to invest in listed Canadian companies that either operate in

Cuba or do business there. Mr Charles Villeneuve, one of the fund directors. said he had already received commitments totalling C\$50m (US\$37m) from institutional investors in Canada and the fund would open with this amount. "The goal is C\$500m. We think there is a market for that," Mr Villeneuve said in Havana on

Mr Villeneuve is a Cana dian investment manager living in the Bahamas. He and two other directors, one Canadian and one British. will run the Bahamas-based fund manager, Ecomatrix.

The Cuba growth fund will concentrate on buving shares in medium-sized listed Canadian companies with substantial business interests in Cuba, for example, in tourism, property and construction and, to a lesser extent, oil and metals exploration. The minimum initial subscription is C\$250,000 but the offering excludes US or Bahamian

nationals. It will be the second investment vehicle to focus exclusively on Cuba.

A British-based investment company, Beta Gran Caribe, raised SFr40m a year ago.

● A transition to democracy and capitalism in Cuba would attract billions of dollars in loans and investment, according to a US government report due to be released this week, Reuter reports from Washington. The White House is due to issue the report to comply with the Helms-Burton law.

Success goes to California's head

Christopher Parkes on why the state needs a proper public investment strategy

alifornia should set any slackening, the centre backlog in school construct and total trade through the aside its concerns over job creation and start thinking hard about how to cope with the nega-

tive effects of rapid growth, according to a new study. Employment will rise at double the national rate over the next decade, adding 3m new jobs, the Center for Continuing Study of the California Economy claims. Total income will grow 3.4 per cent above the rate of inflation and 50 per cent more

than in the US at large. But the population will surge almost 20 per cent, adding 6m new residents, 2m new households, and further strain educational, transport

and housing resources. The state, which lost 500,000 jobs in the 1990-93

recession, has already added almost 1m in the past three

a share in the overall economic gains. The study highlights a in the first half of last year,

focus from the issue of "jobs,

jobs, jobs".

the environment. There is also a fear that without educational reform

large sections of the population - the unskilled and the ill-prepared - will be denied

says. It is now time to tion.

broaden the economic policy The sectors which lost most jobs in the recession aerospace, construction and Yet despite five years of retailing - did not contrib-debate the state still has no ute significantly to the long-term public investment rebound and are among strategy for the educational those most at risk of being left out of the boom.

and transport infrastructure The study says the state's needed to sustain growth and maintain quality of life. future is now pinned firmly In the San Jose area, Silion high-growth sectors: techcon Valley's high-technology nology, trade, entertainment and professional services. business community is already suffering from the Venture capital funding in Silicon Valley was expected re-emergence of traffic conto exceed \$2bn last year, gestion, rapidly rising hous-

ing costs and pressure on a third of the national total Technology exports of \$59bn in 1995 were up 22 per cent by the end of last year's

third quarter. Exports from Californian companies, which account for 17 per cent of all US for-

eign sales, rose 13.5 per cent

state's ports rose 10 per cent. The film industry has gensimilar pace. erated about 60,000 jobs in the past three years, increasing the workforce

year accounted for 65 per cent of all US film production starts. In professional services, the computer industry alone

almost 50 per cent, and last

is gaining 2,000 high-paying iobs a month. For the future, the centre. a respected specialist in long-term consulting, pre-

dicts high-tech manufacturing will grow at three times the pace of other US industries, auguring well for a state with 20 per cent of national capacity.

Exports - led by high-technology and entertainment products - are growing at more than double the pace of the US economy. Employ- Fax: 415-321 5451

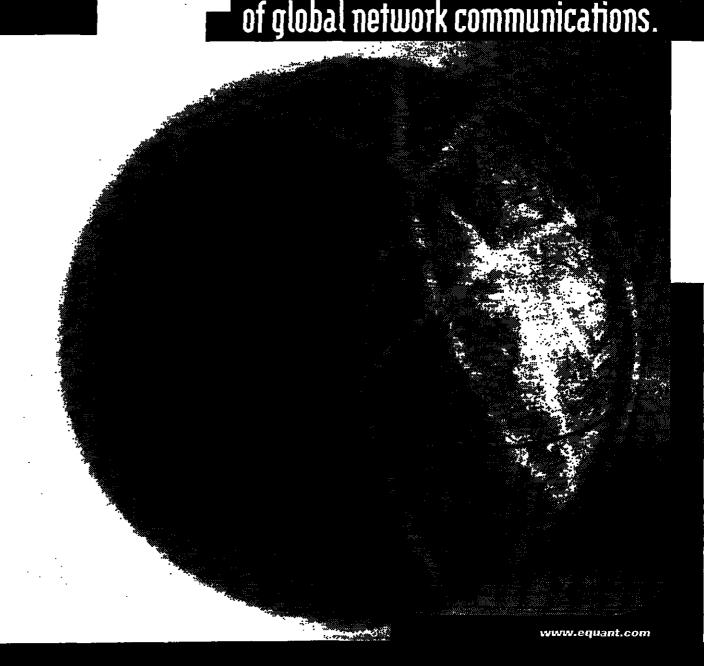
tainment is expanding at a

But the high-technology and entertainment sectors are the most critical to California's long-term growth and prosperity. As "basic industries" selling to both national and international markets, they can usually choose where they are

located. Abundant opportunity does not equal guaranteed success," it says. "Although most of the hard work will be done by California's entrepreneurs and workers, there is a significant role for

public policy that is in dan-ger of going unfilled." California Economic Growth, 1996/97 Edition, \$225. Inquiries to: CCSCE, 610 University Averaue, Palo Alto, CA 94301-2019. Tel 415-321 8550.

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Emu-style deficit curbs

The Japanese government is planning legislation this year to bring its growing budget deficit under control over the next decade, using targets similar to those used by the European Union for

its planned single currency. Mr Hiroshi Mitsuzuka, finance minister, yesterday told parliament's budget committee the government aimed to submit a bill on fiscal reform for adoption in the autumn.

Economists in Tokyo welcomed the move as a sign that the minority Liberal Democratic party administration is at last serious about cutting state debt.

The bill would embody targets, sketched out by Mr Ryutaro Hashimoto, prime minister, earlier this week. But unlike the Maastricht model, Japan is considering giving itself more than twice as long as EU members to achieve the targets.

The plan would commit the government to more than halving the annual central and local government budget deficit from the current 7.4 per cent of gross domestic product (GDP) more than double Italy's rise by 3 per cent.

per cent by the fiscal year ending March 2006.

That would involve a Y2,000bn (\$16.7bn) a year reduction in the deficit and a "significant" cut in the annual borrowing requirement, currently 28 per cent of government revenue. according to draft budget committee documents.

Outstanding gross govern-ment debt of close to 90 per cent of GDP would be reduced in line with the Emu standard, though draft plans do not specify the European target of 60 per cent. That is an ambitious aim, since the OECD forecasts that Japan's gross government debt will hit 100 per

cent of GDP by next year. "This could be good news in terms of the government's commitment to the public that they will do something about the fiscal deficit," said Mr Satoru Ogasawara, international economist at Deutsche Morgan Grenfell in Tokvo.

The proposed bill follows intense public criticism over the government's budget for the coming year which proposes personal tax increases yet allows public spending to

Singapore sees rise in currency

By James Kynge and Elizabeth Robinson

The value of Singapore's currency, which remained as steady as a rock against the US dollar in 1996, is likely to appreciate this year, according to Mr Richard Hu. the country's finance minister.

Some strengthening of the Singapore dollar would be 'desirable" to keep inflation under control, Mr Hu said at the weekend. However, the Monetary Authority of Singapore - in effect the central hank - would not seek to guide the currency's value but rather let market forces dictate the rate, he said.

Singapore's industrial base, overwhelmingly geared robust enough to withstand the impact of a rising Singapore dollar, government ministers said. Yesterday the US dollar was being quoted at S\$1.4097, compared with S\$1.415 at the end of 1995.

"Some degree of appreciapoint of view because we import 70 per cent of all the goods we consume." Mr Hu to their problems. said in an interview. A ris-

ing currency reduces the cost of imports.

"One of our objectives is to keep foreign inflation down, so some degree of Singapore dollar appreciation is quite acceptable," he said.

Although last year's inflation was a low 1.4 per cent. one of the government's top concerns is the high cost of land, rent and wages which threatens to erode the country's manufacturing competitivenes

"We have been advising the manufacturing sector to expect a strong dollar. This is a key pillar of our policy," said Mr Yeo Cheow Tong, minister of trade and industry until a cabinet reshuffle took effect on Saturday.

Some industries could be strengthening currency but "you can't manage a currency to suit particular sectors", said Mr Hu,

Companies such as Singapore Airlines, whose costs are mainly in Singapore dollars and earnings in US doltion is desirable from our lars, are vulnerable. Shipyards are also likely to find a rising currency contributes Currencies, Page 23





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Japan plans | Ethnic party hopes to sweep Karachi

It could win up to 14 seats in Monday's national election, making it pivotal in a hung parliament

When votes are tallied in Pakistan's election next Monday. leaders of the Mohaiir Quami Movement, the ethnic party which champions Urdu-speaking migrants from India, expects to have taken almost all 12 seats in its Karachi home base, a couple more in Sind province and, perhaps a place in government as part of a possible

Independent analysts also believe the MQM is likely to win up to 14 seats, enough to make the group pivotal if the 217-seat parliament is hung.

But leaders of the party, which has waged a bloody struggle for the "rights" of the "downtrodden" Mohajirs (literally "refugees") against successive governments in Islamabad, believe they more proportionate

"Our demand is for a census," says Mr Shoaib Bukhari, a lawyer and party spokesman. "It would prove Mohajirs are more than half the population of Sind, which would mean more seats locally and nationally, more central governeducation and health."

national assembly constituencies in the sprawl of Pakistan's biggest city have 300,000-450,000 voters, and should therefore be divided into two or three parliamentary seats. But there has been no census, thus no constituency redefinition, in Pakistan since 1981, in which

Mr Bukhari points out that some

more than doubled to 12m. Nor do analysts in Pakistan expect a fresh headcount while power is in effect alternated between the Pakistan People's

time Karachi's population has

representation in parliament. Party (PPP) of Ms Benazir Bhutto, deposed by Pakistan's president in November, and the Moslem League (ML) of Mr Nawaz Sherif, which is felt likeliest to emerge as the larg-

est party. Both main parties in Pakistan's medieval and personalised political system are dominated by powerful, landowning "feudals", and some 80 per cent of national assembly seats represent rural areas.

But this proportion reflects the Pakistani demography of 30 years and more ago, and ignores the industrialisation and urbanisation since. With no census since 1981 analysts can only guess the present under-representation of Pakistan's urban population.

"I would think the rural-urban split is now almost equal," says Mr Nasim Haji, vice-president of the fledgling Tehreek-e-Insaf party led by Mr Imran Khan, the former cricketer. "All these little villages towns, the towns into cities."

Like the MQM, which boycotted the 1993 polls, the Tehreek-e-Insaf also believes its ability to challenge the existing political duopoly is handicapped by parliament's outdated political demography. Mr Khan's new party draws most support from urban professionals, exasperated, says Mr Haji, by the inefficiencies of the present "pre-

modern" political structure. It is a political structure econoskewed taxation away from politically favoured agriculture, and instead heavily burdened urban and business taxpayers, to the detriment of the manufacturing base and export potential.

Politicians such as Mr Haji blame it for having led to a crip-pling neglect of Pakistan's fast-

growing cities, creating an urban blight conductve to the political violence which has racked Karach (where population growth is an annual 6 per cent) for the past four or five years.

The most Mr Bukhari would con-cede is that the "deprivations" of Karachi's Mohajir community had spawned "violent thinking": evident enough in the teenage and pre-teen MQM supporters at rallies this week chanting: "First the bul-let, then the bomb".

If the MQM fails to win the political leverage to ease the traditional grip of the Sindi-based "feudals" of the PPP and the Punjabi-based "feudals" of the ML, or finds that Pakistan's already overdrawn coffers cannot afford to refurbish Mohajir-dominated Karachi, many wonder how long it will take its young supporters to resort to the bullet.

Federal deficit substantially higher than budget forecast

Canberra to reduce spending

By Nikki Tait in Sydney

Australia's conservative coalition government yesterday warned of more spending cuts after Treasury forecasts showed a likely federal budget deficit of A\$8.49bn (US\$6.6bn) in the current 1996-97 financial year. This is substantially higher than the A\$5.65bn deficit forecast in last August's budget.

The Treasury's "mid-year economic review", released in Canberra, also indicated federal government finances would not move into surplus in the current three-year parliamentary term on the basis of existing policies. In its first budget five

months ago, the Liberal-National government suggested it could be running an "underlying" surplus of A\$1bn by 1998-99, but the latest Treasury foreasts predict a A\$2.15bn deficit for that year.

Despite the new forecasts. Mr Peter Costello, treasurer, insisted the coalition would press ahead with the aim of balancing the budget in the

aiwan's gamblers were con-

founded when Mr James Soong.

the provincial governor of the

island, "temporarily" returned to his

office last week, ending a tense stan-

Those who placed wagers on whether

Mr Soong would stand by his resigna-

tion announcement on December 31,

made in pique over plans to abolish the

provincial government and his job.

were left mystified by his insistence he would resume his duties only until his

The existence of a separate Taiwan

provincial government stems from the

flight of the defeated Kuomintang

(KMT) regime from the mainland in

1949, when Taipei was claimed to be

the capital of all China and the island

The Lee-Soong power struggle raises

crucial questions about the ideal of

reuniting Taiwan with the mainland.

Less than a year after the island's first democratic presidential elections.

Mr Lee is moving swiftly to sever links

with China and consolidate the position of his successor, Mr Lien Chan,

These goals conveniently coincide

with an urgent need to streamline the government. Taiwan's cash-strapped

central government would dearly love to get its hands on the province's assets: some 34 business enterprises, including the alcohol and tobacco

monopoly and Taiwan's three biggest

Mr Lee and the KMT paved the way

for sweeping constitutional reforms, including scrapping the provincial gov-

ernment, in a pact last month with the leading opposition Democratic Progres-

sive party (DPP). The plans will be put

before the National Assembly in April and are expected to be ratified in time

for the KMT's party congress in

The accord was denounced by pro-Beijing media and the opposition New

party, made up mostly of post-war

immigrants from mainland China, as a

plot to promote Taiwanese indepen-dence. The Communists in Beijing

claim Taiwan is part of China and

threaten to use force to recover the

island if Taipei declares independence.

The KMT denies harbouring a hidden independence agenda. But critics point

to a scheduled visit to Taiwan in March

by the Dalai Lama, Tibet's exiled spiri-

tual leader, and official remarks last

year calling Mongolia an independent country, as efforts to shed the Chinese

Taipei still abides by the 1945 consti-tution, which includes Tibet and Mon-

golia as well as mainland China within

the boundaries of the Republic of

China (Taiwan's official name).

vice-president and premier.

merely a province under its control.

doff with President Lee Teng-hui.

resignation was accepted.

Underlying budget deficit (A\$bn)

Power struggle in Taiwan

raises crucial questions

A standoff with the island's provincial governor is helping

President Lee sever links with China, writes Laura Tyson

current parliament. "Clearly terday accused the governsome additional tightening of fiscal policy will be necessary," he said.

Mr Costello refused to be drawn on the size of any new spending cuts. But he said the government would not "revisit" areas which contributed substantially to the 1996-97 round of spending cuts. He added that the government's "firm commitment to the social safety net" was not at issue. The Labor opposition yes-

Australia

ment of paving the way for more "savage" cuts in its next budget, due in May. "Last year's budget was too tough. Mr Costello was passionate about numbers but not at all passionate about people," said Mr Gareth Evans, shadow treasurer.

The substantial difference between the budget forecasts and yesterday's revised predictions was blamed largely on revenue shortfalls - notably smaller- forecast 2.75 per cent.

payments. Mr Costello suggested that the 1995-96 increase in Australia's corporate tax rate had encouraged companies to pull income forward into 1994-95, and depress taxable income in the following year. This had led to a downward revision of A\$1.6bn in 1996-97 company tax estimat

The lower inflation rate and more moderate growth in wages were a second factor in the revenue shortfalls. The Senate, parliament's upper house, also blocked spending cuts - costing around A\$400m in 1997-98 - although these bills will be represented

when parliament resumes. The Treasury's latest forecasts also suggest that Australia's headline inflation rate could be as low as 1 per cent in 1996-97, compared with the 2 per cent forecast in the budget, and that "underlying" inflation might run out at 2 per cent, down from the previously

HK to join IMF

ASIA-PACIFIC NEWS DIGEST

rescue fund

Hong Kong yesterday announced it would take part in an International Monetary Fund scheme to help countries threatened with financial or economic crises. The territory's involvement in the emergency fund is seen as an important step in its attempt to secure its position as an international financial centre and to establish its economic autonomy before July's return to Chinese

"Hong Kong's participation is of considerable significance to the territory," said Mr Donald Tsang, inancial secretary. "Last year Hong Kong joined the Bank for International Settlements and we are now taking part in the NAB," he added, referring to the New Arrangements to Borrow, as the IMF fund is called.

The Hong Kong Monetary Authority, the territory's de facto central bank, said it would be one of 25 participants in the fund – a US\$48bn credit line to be used in situations which could damage or threaten the stability of the international financial system. Hong Kong will contribute the equivalent of US\$476m in Special Drawing

China has promised Hong Kong a high degree of autonomy for 50 years after July's transfer of sovereignty, including an independent fiscal policy and the maintenance of the currency peg between the Hong Kong and US dollars. While there are concerns in the territory that China will exert political pressure on the territory, there is greater confidence that it will uphold its pledge to maintain Hong Kong's economic and financial John Ridding, Hong Kong

UK-China troop talks fail

British and Chinese negotiators failed yesterday after two day of talks to break a deadlock over China's request to send an advance party of troops to Hong Kong before Beijing formally takes over the territory on July 1.

The baggling over troops at the Sino-British Joint Liaison Group (JLG) talks on handover arrangements was the latest of many disputes in the run-up to the change of sovereignty after more than 150 years of British rule. Mr Alan Paul, a British negotiator, said he would not want to put a deadline on resolving the issue, but made clear little progress had been made. Reuter. Hong Kong

Burma jails 14 protesters

Burma's military junta said yesterday that 14 people, including five members of Ms Aung San Suu Kyi's main opposition party, had been jailed for seven years for their part in last month's student protests. Burmese military intelligence said in two statements that the 14 were sentenced under the Emergency Act of 1950 after being found guilty of agitation and throwing rocks at security personnel during the student unrest last December".

Ms Suu Kyi said the sentences were a sham as the trials were not made public and the accused had been denied access to proper counsel. "I don't for a moment believe that they were found guilty since they were obviously tried in camera." she said. AFP, Rangoon

World injunction against Tang

Singapore's top leaders have obtained a worldwide court injunction against a controversial opposition member on top of the defamation suits already filed against him, a newspaper said on Monday. The injunction requires Mr Tang Liang Hong, who is facing a clutch of lawsuits, to set aside S\$11.2m (US\$8m) for possible damages and legal costs if he decides to liquidate his assets, the Straits

The worldwide injunction sought by Prime Minister Goh Chok Tong, Mr Lee Kuan Yew, the senior minister, and nine other members of the ruling People's Action party was approved yesterday, the newspaper said. The action follows reports that Mr. Tang had decided to sell his properties in Singapore and Malaysia to fight the lawsuits he faces.

APP, Singapore.

Laos 'confident' on power deal.

Laotian officials said yesterday they were confident of a long-term commitment by Thailand to buy electricity from a controversial \$1.5bn dam project across the Nam The vice-minister of industry and handicrafts, Mr

Khammone Phonekeo, played down concerns over the project raised at a public consultation, saying that good. project raised at a public consultation would ensure its relations between Laos and Thailand would ensure its

Twe been involved in the That-Lao co operation and we are highly committed to selling 3,000MW to Thatland," he said. Working groups convened for the second day of the first public consultation on the dam, Nam Theyn II. also registered worries about the dependence of Lacs on AFP, Vien

James Soong at his inauguration in 1994 as provincial governor of Taiwan: standoff with president ended with 'temporary' return to his office The reform plan is a sign of the tious politician, was not consulted realignment of politics in Taiwan since

the transition to democracy began a The DPP, which supports Taiwanese

independence, has long advocated jettisoning the provincial apparatus, and the 300-member National Assembly too. The KMT, now controlled by nativeborn Taiwanese, still espouses reunification with China. However, the interests of the two parties have converged to the point that their policies are all but indistinguishable.

In any case, most of the provincial government's functions are duplicated by the central and county govern-

The province's territory covers all Taiwan except the two biggest cities, Taipei and Kaohsiung, and 85 per cent of the population. This means Mr Soong's mandate is in theory nearly as strong as the president's. Mr Soong, a charismatic and ambi-

about the plans, leading to speculation he has outlived his usefulness to Mr

Mr Soong is one of the few remaining senior KMT officials born in mainland China, and it seems the Taiwan-born president is adding him to the long list of "mainlanders" he has pushed off the Ever keen to sense shifting political

winds, Mr Soong, 56, is unique among his mainlander peers in that he has mastered the complex Fujian dialect, the mother tongue of most Taiwanese "It's hard to tell if he has a political future or not," said Mr Andrew Yang, a political analyst. "He's a strong political fighter but his ethnicity is not in his favour.

Mr Soong's resignation is likely to be accepted once the constitutional changes are made, making him per-haps the first and last democratically elected governor of a Chinese province.

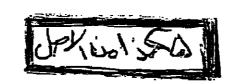
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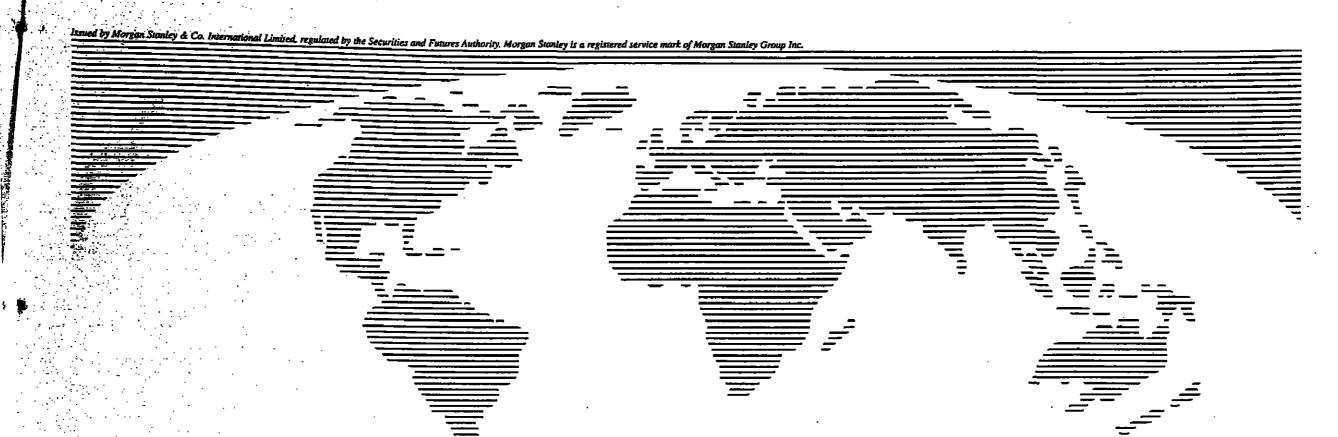


Engineering Service BIDDING POSTPONEMENT NOTICE

SIDDING POSTPONICEMENT NOTICE
INTERNATIONAL ENDONG Nr 569-S-00-867.

Scope: International Bidding for contracting, engineering services for setting up the Atmospheric Residue-Bull Catalytic Cracking Unit, Solvent Description Unit, Solvent Birth, Soir Water Treatment Unit, Cooking Tower and Other Descriptions of Capuse Refinery, RECAP, in the Municipality of Marie Soir of São Peulo, Brazil, Bids will be opened on February 25, 1387 at 10 a.m., in the Bidding from of PETROBRAS at 1930 Several Carabarro. No 500 - ground floor Rio de Jeneiro 25, 1387





GLOBAL REACH

IN-DEPTH CAPABILITIES

LOCAL INSIGHT

INDUSTRY EXPERTISE FINANCIAL INSTITUTIONS

Bristol & West, UK

Bristol & West is demutualising through a sale to Bank of Ireland. We are acting as an advisor to Bristol & West which has involved the study of its alternatives, introducing Bank of Ireland and assisting in the negotiation



Crédit Communal de Belgique/Gemeentekrediet van België's alliance with Crédit Local de France created the Dexia Group, one of Europe's largest

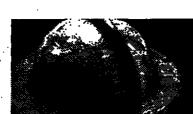


providers of public financing. We acted as financial advisor to CCB/GKB and as global coordinator for the subsequent \$1.1 billion equity offering.

Munich Re, Germany

of the £600 million transaction.

By acquiring American Re, Munich Re will bolster its position to the third largest reinsurer in the US. We acted as financial advisor to



Munich Re on its \$4.1 billion acquisition, providing our experience within the global reinsurance industry.

Argentaria, Spain

We acted as global coordinator to raise

\$1.3 billion for the third tranche of Argentaria's privatisation. During the offering we achieved



a strong subscription level and developed aftermarket support despite volatility in the Spanish equity markets.

Compagnie de Suez, France

Suez sold Banque Indosuez to Crédit Agricole in order to focus on developing its core businesses. We acted as financial advisor to



Suez, drawing upon our banking expertise as well as our in-depth knowledge

of the French M&A environment.

Swiss Re, Switzerland

Swiss Re's acquisition of Mercantile & General Re will create the world's leading provider of life and health reinsurance. We acted as



financial advisor to Swiss Re on its \$2.65 billion acquisition, drawing upon our extensive experience in the consolidating reinsurance sector.

in textile talks

China and the US yesterday began talks aimed at extending a bilateral textile accord. The two sides are also seeking to resolve a dispute over US penalties on Chinese exports. The US has alleged China trans-shipped textiles through third countries to avoid quota restrictions. Beijing denies the charge.

Mr Rita Hayes, the top US textile negotiator, described talks yesterday as "very productive". Mr Shen Guofang, China's foreign ministry spokesman, also sounded conciliatory, saying "resolution of this problem will be beneficial to both sides". The 1994 Smo-US textile agreement expired on December 31 and the two sides have been wrangling over terms for renewal. The US set a deadline for the end of this month for agreement. The textile talks come against a background of

improving Sino-US relations with a string of reciprocal high-level visits planned this year. Tony Walker, Beijing

Chile chemicals plant agreed

Nissho Iwai, a leading Japanese trading company, and NKK, Japan's second largest steelmaker, have won a joint contract to build a plant in Chile to produce ammonium nitrate and nitric acid for industrial use.

The plant will have the world's largest annual production capacity, expected to reach a combined 350,000 tonnes of the chemicals, which are used in the mining of copper and other metals. Chile is the world's top copper producing nation and expects annual production to rise 80 per cent by 2000 from the current 2.5m tonnes. Demand for ammonium nitrate and nitric acid is also growing rapidly in Argentina and Peru.

The Japanese companies were engaged by Enaex, a Chilean chemical company, to participate in the Y10bn (\$83.8m) project and will design and supply equipment worth about Y6bn. Construction is scheduled for completion by the end of 1998 at a site about 1,000km north of Santiago.

Yemen gets two Airbuses

Yemen Airways, Yemen's national carrier, will receive two Airbus A300s from Airbus Industrie in March, Yemen

Times, the English-language newspaper, reported.

The Sanaa-based airline was formed last year by the merger of Yemenia Airways and al-Yemda, the carriers of the former North Yemen and South Yemen, which merged in 1990. Saudi Arabian Airlines, the Saudi national carrier, holds a 49 per cent stake in Yemen Airways. The Yemeni airline has a fleet of

India expansion for GE unit

GE Capital, a subsidiary of General Electric, plans to buy a majority stake in an Indian finance company as part of its expansion plans. The US company has agreed to pay Rs547.7m (\$15.3m) for a 50.25 per cent stake in SRF Finance, part of the DCM Shriram group. It will also make a public offer for the remaining shares in SRF Finance of Rs53.50 a share.

GE Capital said the move would expand its presence in the Indian market for commercial vehicle and working capital financing. It said SRF Finance had an established branch network and asset base. The deal is subject to regulatory approvals. Tony Tassell. Bombay

Rivals Bombardier and Gulfstream eye up lucrative prospects for corporate jets China and US Battle for China's jet set market

China has become the latest battleground in the cut-throat corporate jet mar-

Bombardier, the Canadian manufacturer, stole a march on arch-rival Gulfstream with the sale last week of five Regional Jet aircraft, but its US competitor says this is only the start of a battle for what is expected to become a huge market.

Mr Charles Williams, regional vice president for Gulfstream, is confident sales in China will match its success elsewhere in Asia, where it claims 50 per cent of the market for longer-

range corporate jets. Bombardier's Mr George Laforme, regional vice president, said last week's deal augured well for further sales. The company is pinning hopes on its new Global Express to dominate the longer-range corporate jet market against the Gulfstream V.

Bombardier also supplies the smaller Learjet which is used for shorter hops. including medical evacuations, an important segment of the market in China.

Other competitors include the Falcon, made by Dassault of France, which is an alternative to the longerrange Bombardier and Gulf-



provincial governments, cor- est corporations, which will

stream jets. The Cessna Citation is the main competition

"It's almost impossible to quantify the market as China opens up," says Mr Laforme. "But obviously we believe in the China market as we do in the whole Asian market."

there are about 200 corporate jets in the Asian region, including 70 in Australia. This compares with 6,000 in North America. China itself has about 14

The industry estimates

corporate jets in service. according to Bombardier. But the powerful military establishment, central and

porations and even private have invested about \$200bp entrepreneurs are increasingly coveting what had been regarded as playthings of the rich and powerful. With its vast distances and

relatively primitive domestic airline network, China is seen as a natural market. Chinese leaders, travelling abroad more regularly, are logical customers for the Gulfstream V and Global Express with their range of 6,000-7,000 nautical miles sufficient to travel non-stop between Beijing and New

Foreign companies, including some of the world's larg- such company to be licensed

in China by the end of 1997. are also obvious customers for nimble corporate jets in a country where airline and airport inefficiencies eat into

Mr Maurice Amon, chairman of Global Aviation, a new charter firm operating from Guangzhou and Singapore in alliance with China Southern airlines, estimates that business is growing 30-40 per cent a year.

Global Aviation, which has a "strategic partnership" with Bombardier to showcase its aircraft, is the first to use China as a base for both domestic and international operations. While manufacturers of

corporate jets are jostling for sales in China, they are not neglecting other Asian markets. Hong Kong's super-rich overseas Chinese are an obvious target, but sales have been limited by the fact that the territory's Kai Tak airport did not have space for executive jets.

But this will change when the new Chek Lap Kok airport opens in 1998 with a base for corporate jets. As Gulfstream's Mr Williams said of a likely appetite for executive jets among Hong

A US order potentially worth about US\$1bn ensures the production rate of five per month for Bombardier's Regional Jet for the next two or three years, writes Robert Gibbens in Montreal. Atlantic Coast Airlines, a US regional airline linked by code-sharing with United Airlines, has ordered 12 50seat RJs worth US\$240m and has taken 36 options worth about US\$720m

Deliveries of the initial 12 aircraft will be completed by late 1998.

Bombardier now has firm orders for nearly 90 Regional Jets and options for nearly 200 more.

Kong billionaires: "Once you get one to buy others will follow."

Taiwan is also a likely growth market with only two private jets believed to be in service there. Bombardier and Gulfstream, which have both set up regional headquarters in Hong Kong, are reticent about sales figures but Mr Laforme predicts the region will soon account for 25 per cent of Bombardier's global sales.

"We're going to have our best year in history this year in terms of sales in Asia-Pacific," he says. "This is turning into a major, major market for our business."

minister counters culture line

in Toronto

Canada's trade minister has signalled a sharp change in cultural policy by questioning the efficacy of trade and investment curbs to protect domestic publishers, broadcasters and film-makers.

Mr Art Eggleton said dwindling sympathy among Canada's trade partners. especially the US, and new communications technologies challenged traditional protectionist devices, such as ownership curbs and local-content rules. "We content. These measures must respond to changes in include an 80 per cent excise

world trade and communications, or our culture will be left behind," Mr Eggleton said in a speech in Toronto. Concern about cultural policy has intensified since an interim ruling by the

panel this month which rejected Canada's case in a dispute involving US-owned Sports Illustrated magazine. The panel ruled against measures designed to discourage Sports Illustrated from publishing a local edition with Canadian advertis-

ing but mostly US editorial

World Trade Organisation

tax on advertising in "splitrun" magazines, and a hefty tariff on imports of US periodicals with Canadian advertising.

The panel also criticised a postal subsidy available to Canadian magazine publishers. Ottawa has not yet indicated whether it will appeal against the ruling. "Cultural industries" were

excluded at Canada's insistence from the North American Free Trade Agreement. However, the Sports Illustrated decision has raised fears that the US may launch a broad assault against the panoply of rules publications that pours in Canada.

designed to protect domestic across the US border. culture.

Ottawa invoked foreign block Borders, the US bookseller, from setting up a Canadian operation. Earlier, the US protested against a decision by Canadian regulators to allow a domestic country-music station to take over a cable-TV licence held for a decade by a US

A vocal lobby group has long contended that Canadian culture is uniquely vulnerable to the avalanche of films, TV programmes and

Spain overtakes France

But Mr Eggleton questioned whether continued ownership curbs last year to exemption of the cultural sector from trade agreements made sense. "Should we not negotiate trade rules

that reflect Canada's cultural interests?" he asked. He noted that domestic publishers, film-makers and artists relied increasingly on foreign markets. Film and video producers earned almost a third of their home entertainment revenues from foreign sales. Songwriters and composers earned

in Washington more royalties abroad than

Shipyard subsidy pact in danger

By Nancy Dunne

US trade officials were yesterday attempting to salvage a moribund multilateral pact to eliminate shipbuilding subsidies in OECD countries in the face of staunch opposition from Mr Trent Lott, the Senate majority leader. Trade officials said they would try to work with Congress to secure passage of the pact despite Senator Lott's objections.

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The senator says he will support the legislation only if it contains amendments, added by the House, which would continue a programme of shipbuilding guarantees. Senator Lott on Friday harshly attacked the pact, negotiated within the Organisation for Economic Co-operation and Development, and predicted that: unless the US reopens negotiations, it would fail.

The senator criticised US negotiators for having approved the pact, saying they had failed to recognise market changes over the five years of the negotiations. which ended in 1994. The US initiated the talks, in an effort to end subsidies, and now is the only OECD country not to have approved it. An administration official claimed that the pact "is not dead at this point" but coming to agreement with Republicans "will not be easy." The administration would continue to negotiate in Congress because it is the only hope; OECD members have said they will not re-

negotiate a deal. The US shipbuilding industry is itself split over the pact. The six largest shipyards - which build mostly warships - are opposed to it. The Shipbuilders Council of America. which represents mediumsized yards, initiated the push to end subsidies in the

1980s and is still fighting on. The large yards were infuriated that the pact gave them no phasing out period for the subsidies. The senator said shipbuilders had told the administration of their concerns over generous transition concessions granted to the foreign signatories, the changing market conditions with the growing prominence of China and the ineffective anti-dumping provision - especially in the light of South Korea's mas-Sive expansion of its shipbuilding capacity through-

out the negotiations. Senator Olympia Snowe, a Maine Republican, said these concerns and "negative implications for the US Navy shipbuilding industrial base were ignored by the negotiators of the agreement".

The two senators also complained that the Jones Act. which requires thats ships transporting cargo between US ports be US-buik, owned and operated, would be affected by the pact, even though it is supposed to be



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to the Year 2000 and Beyond

24 & 25 April 1997, Vienna

The European power business is approaching the millennium in a greater state of flux than at any other time this century. The process of liberalisation is gathering momentum across Europe as competitive, political and regulatory forces are fuelling fundamental changes in many traditional industry structures.

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in tourism earnings By David White in Madrid Tourism: world's top ten earners 1996 64.4 5.3 28.4 28.2

Spain has outgrown its reputation as a cheap holiday destination by over-

taking France in tourism earnings last year, according to figures released vesterday by the Madrid-based World Tourism Organisation. With a growth of over 12

per cent in tourism receipts

to \$28.4bn. Spain jumped from fourth place to second in world rankings - behind the US, but ahead of both France and Italy. French earnings rose less than 3 per cent, while Italy's stagnated. In numbers of tourists visitors who make at least one overnight stay - France kept its top place with 61.5m. a 2.3 per cent increase, followed by the US with 44.8m. Spain with 41.4m and Italy with 35.5m. The figures show China pipping the UK to the

sixth place with just over 26m visitors. The increase in US visitors, just over 3 per cent, was lower than expected in view of the Atlanta summer

Overall, tourism growth picked up with a 4.6 per cent

about \$214bn. The fastest growth, how-

rise in the number travelling

ever, came in the Middle ness worldwide. East with a rise of more than 10 per cent in the number of visitors and a rise of almost 15 per cent in receipts. Tourism in east Asia and in 1995.

cas and twice the receipts -

the end of the decade.

nearly 593m, after a 3.6 per but less than in the early cent increase in 1995. The part of the decade. The organisation is forecasting organisation said growth in another record number this the region seemed to be year with a further increase slowing down because of air of around 4 per cent, and a traffic congestion and continuation in this trend to increasing concern about the impact of tourism on the Europe continued to domienvironment. nate the tourist trade with Safety fears kept the

to foreign destinations to the Pacific rose 8 per cent

20.4 15.1

three times as many internagrowth in Africa's international arrivals as the Ameritional tourism to barely 2 per cent, with a total of 19.500 arrivals, or just 3 per cent of the volume of busi-Global earnings from tour-

ism worldwide rose 8 per cent to \$423bn, excluding air fares, after a 13 per cent rise

Brazil averts health row over food imports

By Matthew Doman in Buenos Aires

A row between Argentina and Brazil has been averted by Brazil's decision to delay new requirements for health clearances on food imports. The Argentine government

and food exporters will use the breathing space to lobby for the measures to be overturned. Brazil had planned to require a special Health Ministry certificate on all food imports as of March. but it has delayed introduction of the scheme until September after protests from

Mr Jorge Campbell, Argentina's international trade relations secretary, will travel to Brazil next week to express his government's anxietics over the issue.

Argentine food exporters that also comprises Parasay the new Brazillan mea- guay and Uruguay. sures will affect over \$2bn a year of sales to their trading

partner. 'These measures are against the spirit of trade integration to which we believe Brazil is committed," said Mr Francisco Boggino, a director of Mastellone Hermanos, the dairy products group. He said the measures could cause delays which would be particularly dam-aging to perishable foods.

Carlos Menem called his as its trade balance widened Brazilian counterpart Fernando Henrique Cardoso last week to protest against the move. Argentina regards the proposal as backtracking on Brazil's commitment to freer trade within Mercosur, the after Brazil revealed a record four-nation customs union

Mr Alieto Guadagni, Argentina's industry secretary, expressed hope that the health clearance rules would be annulled or that Argentina would be given "special Mercosur treatment". However, some Argentine businesses are anxious that Brazil remains lukewarm on implementing unrestricted trade within Mercosur.

Similar fears were raised in 1995 when Brazil imposed Argentine President restrictions on car imports in the aftermath of the Mexican financial crisis.

Argentine business leaders regard it as no coincidence that the health requirements were announced a few days 1996 trade deficit of \$5.5bn.

NEWS: UK

SBC Warburg and Goldman Sachs top survey of investment research on continent

المراجم المارين

London brokers ranked first in Europe

By George Graham, Banking Correspondent

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London has extended its dominance of European equity broking, according to a survey of finance directors, fund managers and analysts. The third annual survey of investment research on larger European companies by Tempest Consultants for Reuters, the news agency and media group, showed London-based brokers and analysis winning most of the top

Finance directors from mainland

Europe said they spent 40 per cent the US and mainland Europe. analysts were accorded scant from large institutions is being analysts and fund managers in the UK, and only 34 per cent on analysts and fund managers in their home country.

350 largest companies, and they are saying they spend more time with UK fund management groups and UK analysts that they do with anyone else," said Mr Stephen Parker, director of Tempest.

But although London ranked highly, UK-owned brokers lost place from 20th in 1996. ground to houses with owners in

of their investor relations effort on Swiss-owned SBC Warburg continued to be ranked first by fund managers for the quality of its invest-ment research, while finance directors placed US-owned Gold-"These are continental Europe's man Sachs first and Warburg second.

The investment banking arms of the UK clearing banks - NatWest Securities, BZW and HSBC James Capel - all lost ground while German-owned Deutsche Morgan Grenfell climbed sharply to fifth Outside the elite, however, many

respect by clients or companies. concentrated on a smaller number Out of 2,219 analysts covering large European companies, only 200 were ranked by both fund managers and finance directors. Only 8 per cent earned more than £200,000 while 70 per cent earned less than £100,000. "The clear implication is that the institutional market is overresearched," Mr Parker said.

Mr Tim Orchard, head of Euro-pean research at SBC Warburg. said that corresponded with his view of the market. "Our impres-

of brokers - we are talking four or five," he said.

The survey also showed that fund managers were cutting out the broker and making contact directly with the companies they invest in. But finance directors rated only a handful of fund management groups for their research capability. Fidelity and Capital International ranked first and second in every category, with J.P. Morgan and Mercury Asset Mansion is that the available business agement trailing some way behind.

Exports top 50% of Rover sales for first time

By Haig Simonian, Motor Industry Correspondent

The growing importance of exports for Britain's motor industry was underlined yesterday by figures showing that in 1996 BMW's Rover offshoot sold more vehicles outside the UK than in it for the first time..

The company said exports accounted for 54 per cent of its sales of 507,254 vehicles last year compared with 49 per cent in 1995. The rise in export sales, based largely on new models, was crucial in taking Rover's total sales over 500,000 for the first time since 1988. Total registrations rose by 5 per cent com-

Rover's figures illustrate the growing permeability of Europe's new car markets. Imported cars accounted for 62 per cent of UK new car sales last year compared with 58.9 per cent in 1995 Domestic brands also lost ground to foreign marques

Rover's strong exports were led by the US and Japan, where the company reported record registrations.

cent, while exports to mainland Europe rose by 16.5 per cent to 174,980 vehicles. Rover's European perfor

market, accounting for 46,700 cars.

has defied a static domestic car market by playing up the company's British image.

by two thirds to 21,740, thanks largely to a restruct-uring of the dealer network and the decision by a number of BMW dealerships to take on Rover as well.

in Britain continued to deteriorate, with sales falling 7 per cent to 232,382 units. That reduced Rover's UK market share to 10.9 per cent

125,220 vehicles.

US sales jumped by 16 per cent to 23,182 units, Rover centres, now number ing 45, which sell a range of products linked to outdoor pursuits as well as Land

cent in 1994, easing to 11.6 per cent in 1995. Growth was expected to have slowed further in 1996 pefore accelerating to 9.7 per cent in 1997 and 11.2 per cent **■ TELECOMMUNICATIONS**

UK NEWS DIGEST

ted to accelerate again.

'Silicon Glen'

staff shortage

Electronics companies in Scotland are likely to face

growth of the sector, a survey reported yesterday.

growing difficulties in recruiting staff because of the

The survey, commissioned by Mimtech, a Scottish com-

pany which assembles personal computers for Interna-

tional Business Machines and other companies, showed

that problems in recruiting suitable staff diminished last

year because of a slower rate of output growth in the elec-

But the market for skilled electronics staff is likely to

tighten in the next two years as output growth is expec-

The Scottish electronics industry, commonly known as Silicon Glen, employs about 80,000 people according to the

Cellphone recycling plan launched

in an attempt to pre-empt possible environmental legisla-

tion by European governments. The pilot scheme is being launched by cellular telephone manufacturers Alcatel,

Ericsson, Motorola, Nokia and Panasonic, in conjunction

Users will be able to deposit old units at any BT Mobile

phone centre for recycling at the manufacturers' expense.

Mr Bill McCartney, of the European Telecommunica-

tions and Professional Electronics Industries group, said

the European Commission was looking at the possibility

of legislation to encourage more recycling of electronic

Welsh capital to be host in 1998

Cardiff is to host the European summit at the end of the

UK's presidency of the European Union in June 1998, Mr

John Major, the prime minister, announced yesterday. It

The decision was greeted in Wales yesterday as giving a

will be the first time the Welsh capital has hosted the

huge lift to Cardiff's international profile. Ms Norma

tic opportunity for us and will confirm our role as an

Jarboe, chief executive of Cardiff Marketing, an organisa-tion which promotes the city's region, said: "It is a fantas-

important UK city and European capital." Mr Rhodri Mor-

gan, MP for Cardiff West and Welsh affairs spokesman

with the opposition Labour party, said the country had

Trade gap worse than expected

never had the international recognition to match that of

equipment throughout Europe.

EUROPEAN SUMMIT

The mobile telephone industry will today launch in Britain the world's first scheme to recycle cellular phones

with BT Mobile, the UK's largest service provider.

A similar scheme will soon be launched in Sweden.

James Buxton, Edinburgh

official Labour Force Survey. Output grew by 26.9 per

pared with 1995.

in France and Italy.

Sales to non-European markets soared by 19 per

mance was led by Italy, which last year became the company's biggest export

Rover's Italian subsidiary

Sales in Germany surged

But Rover's performance

from 12.3 per cent in 1995. As in much of the 1990s, sales of Land Rover fourwheel-drive vehicles boosted the group's exports. Land

Rover raised its sales by more than 8 per cent to boosted by the growing chain of specialist Land

Chancellor fights hard for EU cause Kenneth Clarke is increasingly isolated

from senior members of the government

apparent in Mr John Major's the strength of the present government. A minister for 18 years, the chancellor is a politician with guts to match his convictions. Through luck and good judgment, he has painted an economic backdrop for the coming general election which, once, would have seen the Conservatives coasting towards vic-

There is a snag. Mr Clarke still believes Britain's prosperity and influence depend on retaining a leading role in the European Union. Worse, he is sympathetic towards a single currency. Such beresy has left him swimming against the Eurosceptic tide in his party. The sceptics on the Tory backbenches want to reverse the process of European engagement. If the election is lost, Mr Clarke will fight his corner. But no one would make him the favourite to succeed.

On the issues that count most for him - the economy and Europe - Mr Clarke. however, remains in typically pugnacious mood. And he conveys the impression. at least that he has not

n a saner political world, given up on his party's elec-Mr Kenneth Clarke tion chances. would be the heir- He is also confident about

recovery in the British econ-"I think everything shows a strengthening recovery. not out of hand, not showing symptoms of a boom and not building up inflationary

pressures . . . It is not too cold for the unemployed; not too hot to cause inflationary Around him, contenders for the leadership are moving daily to the Eurosceptic right. He must fight for

every inch of pro-European ground. Last week the cabinet agreed it was now "highly unlikely" that economic and monetary union would begin on January 1 1999. It added that if other governments chose to "fudge" the criteria for economic policy in the Maastricht treaty, then sterling would not be part of it.

For most of the cabinet this represented another step towards ruling out the pound's participation during the lifetime of the next par-liament. Several of Mr just that point

But the chancellor, who last year was obliged to bow to his colleagues' demand for the promise of a referendum on the issue, insists there has been no change in the government's wait-and-see policy towards the single currency. The option of British participation remains firmly open. That was "explicitly agreed as a conclusion of the cabinet".

"My own judgment, and it is shared by the cabinet," he says, "is that the single currency is unlikely to go ahead on time on 1 January 1999. The second key message is that whenever it goes ahead it should only be embarked upon by countries whose economies are genuinely convergent." But beyond this description of probabilities, Mr Clarke is adamant the cabinet's elucidation has not changed the substance of

So could Britain be in the vanguard if the Conservatives are re-elected? "Yes, it is possible we could join the first wave." And will the first wave come in the next narliament? "Yes. I think the chances are that it will start



concerned, is the final word There is frequent talk in the before the election.

And if the Conservatives hierarchy intends to use the election to wrap itself in the union flag as defenders of the nation against the Euronean federalists, they will do so without the chancellor. He is happy, indeed, enthusiastic about the idea of attacking Mr Blair's willingness to embrace the social chapter. But beyond that: There can't be anybody who thinks I am going to fight a Eurosceptic election

A final thought as the interview draws to a close. What if he eventually loses the battle within his party over Europe? What if Mr Major is succeeded by one of

Thatcher for the party lead-ership. We tell him so. The chancellor guffaws.

tearooms at Westminster

that he might be persuaded

to lead a breakaway faction

of pro-Europeans. Would he

Mr Clarke seems clear

enough. "I cannot conceive

of the circumstances where I

would ever leave the Conser-

vative party." Uncon-

sciously, though, he has

repeated the formulation

that Mr Michael Heseltine,

now deputy prime minister,

employed in the 1980s when

asked whether he would

ever challenge Mrs Margaret

be tempted?

Philip Stephens Robert Chote

Clarke's colleagues made in the next parliament." That, as far as Mr Clarke is Labour party aims to keep veto

f the Labour party wins the coming general elec-L tion, will Britain's EU partners notice much difference? Many of their British friends have been warning them not to expect too much. Like the Tories, Labour is unlikely to sign up for the single currency in 1999, and is hardly less determined than the Conservatives to preserve Britain's frontier controls and its veto on all important decisions. The "British problem" will not go away.

Mr Robin Cook, shadow foreign affairs minister, suggests that Labour, while remaining cautious on Emu and certain other aspects of institutional change, will be able to expose the narrow nationalism of the Conservatives as having undermined Britain's interests.

"I find it startling," he says, "how in recent years the Conservative party has repositioned itself as the party of English nationalism, accusing us both of giving Scotland to the Scots and of being soft on This attitude, Mr Cook



Robin Cook: scorns Conservatives' "English nationalism"

more interdependent than independent" and contrasts with Labour's "willingness to engage with the international community".

European policy, he adds, is "the immediate expression" of that general difference. Besides signing up to the Social Chapter, Labour the present government other members on employbelieves, "is profoundly out ment and "sustainable

of touch with the modern development". It favours world, in which nations are strengthening the European more interdependent than parliament "as a democratic check on the European Commission", and "would not oppose proposals to provide a strengthened drive against racial discrimination".

Of most immediate interest to Britain's partners will be Mr Cook's recognition of the case for "modernising supports the 48-hour work- the effectiveness" of the ing week directive (which EU's institutions. He claims to have a different position opposes) as well as chapters from the Conservatives on proposed by Sweden and most of the issues in the current intergovernmental conference, and believes, on place in the "second and

tact with Labour's "sister parties" in government in 11 of the 14 other EU countries, that Labour would be able to sign a treaty in June. But on one crucial issue in the conference - the proposed flexibility clause that would allow some member

the basis of intensive con-

states to push ahead with integration while others onted out - Mr Cook speaks of an "unholy alliance now being created between arch integrationists such as Chancellor Kohl and those who want to row back, like John Major". This, he says, "would only be the start of our problems, because if Europe was to divide into a core Europe of nations always on the inside track and a Britain which was always an offshore island. we would very rapidly find that we were frozen out of decision-making in Europe". Mr Cook also remains firm on the retention of the national veto on "strategic" decisions such as those affecting the EU budget, treaty amendments or enlargement. And he insists that majority voting has no

third pillars" - foreign and security policy and justice and home affairs policy which must remain purely intergovernmental.

He hints at a concession, however, by suggesting that some justice and home affairs issues such as police co-operation (but definitely not frontier control or domestic criminal law) might be "unbundled" and "partially communitised", allowing the European parliament and court of justice to have a say in them. Mr Cook is known to be

more sceptical than Mr Gordon Brown, shadow chancellor, about Britain joining European monetary union in 1999. It is not impossible, he says, but there are "formidable difficulties" which, if anything, "have been made more formidable by last week's statement by the government that they have given up doing the preparatory work". This would make it "even more difficult for an incoming

Edward Mortimer John Kampfner Rover vehicles.

Scotland and Ireland.

UK trade deficit

in goods (£bn)

EXPORTS

outside the European Union recorded their biggest fall for at least nine vears last month underlining the difficulties faced by companies following the rise of the pound. The Office for National Statis-Britain's trade gap widened to a seasonally adjusted £959m (\$1.6bn) in November, from £680m in October. The decline was worse than Sep 95 1996 No. City of London expected. The deficit with EU countries widened to £260m from £227m in October profrom £227m in October, pro-

Roland Adburgham, Cardiff

British exports to countries

viding fresh evidence that prolonged slow growth in big European export markets such as Germany and France is hitting UK companies' sales. More up-to-date figures showed the deficit with countries outside the EU widened to £844m in December from £699m in November. Export volumes, excluding oil and erratic items, to countries outside the EU fell 9 per cent in December, the biggest monthly decline since present records began in 1988.

The latest decline follows calls from industry organisations such as the Confederation of British Industry and the British Chambers of Commerce for unchanged interest rates. They fear higher rates would fuel the pound's rise, deepening manufacturers' plight. Graham Bowley

■ INVESTMENT REGULATION Top assurer is fined

The Prudential, the UK's leading life assurer, is facing a bill of more than £100,000 (\$161,000) for breaching watchdog rules on personal equity plans.

The group has been fined £75,000 by the Investment Management Regulatory Organisation and has paid £25,000 in compensation to 6,000 investors. It has been ordered to pay Imro's investigation and disciplinary tribu-nal costs, likely to run into thousands of pounds. The fine relates to breaches of Imro's Pep rules between 1988 and 1994. Most of the Prudential's customers with self-select and single company Peps were affected. The group failed to reconcile and correct Pep client money accounts, was slow to notify Imro about the problems and had inadequate compliance arrangements in place, said Imro. The Prudential said it "very much regretted" the problems. It stressed it had taken remedial action and no customers had lost out. Christopher Brown-Humes

■ RETAIL CRIME VICTIMS

Compensation scheme considered

The UK government yesterday promised to consider a US style "fast track" civil compensation scheme for retailers who have been the victims of crime, which is estimated to cost the industry some £1.9bn (\$3.2bn) a year in Britain. Mr David Maclean, a Home Office minister, said he would investigate the civil recovery system used widely by retailers in North America, which allows them to claim damages for theft and recover their legal costs. On average, said the British Retail Consortium, a shopworker in Britain is attacked every minute of the shopping day. Mr Michael Schuck, assistant director of the BRC's Retail Crime Initiative, said the system used in the US and Canada offered retailers an inexpensive way of

■ MANUFACTURING TECHNOLOGY

reclaiming damages from criminals.

US company in \$15m investment

Peggy Hollinger

Gleason, the US manufacturing equipment company, is investing £9.4m (\$15.7m) in its Plymouth plant in south-west England, which will safeguard the jobs of over 200 employees. The investment, aided by a government regional grant, will be in advanced manufacturing technology. Mr Ken Martin, chief executive of Devon and Cornwall Development International, the two counties' inward investment agency, said the Plymouth factory was set to grow with the new technology, providing a platform for manufacturing new product lines. Roland Adburgham

Commercial break beckons Channel 4 chief

Departing executive believes government has been persuaded to abandon privatisation of network

hen Mr Michael emy's long-term target while Grade. who remaining true to the edly on Monday as chief tive and cater to minority executive of Channel 4, was appointed in 1988 he received a warning from his predecessor, Mr Jeremy channel in more populist

The founding chief executive of the channel, now Sir Jeremy, looked Mr Grade in the eye and said: "I am handing on to you a sacred trust. If you screw it up, if you betray it, I'll come back and throttle you." The implication was that

inappropriate for such a job. too lightweight, and really just a clever scheduler with roots in show business. Sir Jeremy has never had to throttle him, and indeed Mr Grade's achievement has been to have come almost to personify Channel 4. He has

resigned unexpect- mentary remit to be innovaaudiences. Although there were complaints from rivals that Mr Grade had taken the directions in search of larger audiences and revenues, Channel 4 is still recognisable as a place where new ideas and talents flourish.

What will make Mr Grade so difficult to replace is the variety of his broadcasting skills. He has an instinctive feel for what will work and when it should best be Mr Grade was somehow scheduled. But he also understands business and airtime sales.

The growing success of Channel 4 since it began selling its airtime separately at the beginning of 1993 became something of a problem. The channel did so well that a funding formula with ITV.

Channel 4

Channel 4 is one of the most uniquel broadcasting organisations in manner as one of the most unique it is wholly funcied by adventising sold in competition with the maintenant IV network, yet all profits are phosphed back into programme making because it is a public corporation. The channel commissions virtually all its programmes from independent producers or buys programmes from independent producers or buys programmes from other programmes from other programmes that are innovative and also to seve propriy audiences not well served by the other British broadcasters. the other British broadcasters.

Michael Grade 1943 bom a nephew of Lew Grade, who later became one of the biggest figures in the early years of British commercial TV 1960 joins Daily Minor payerpages as trained journalist 1966 moves to Grade Organisation.
1973 joins London Wesfend Television.
1977 joins board and becomes director of programmes.
1981 becomes president of Embassy Television in US.
1984 becomes the securities of Electrical Section channel.

● 1988 becomes chief executive of Channel 4 # 1997 guilts Checnel 4 only 18 months into five year contract

channel having to hand over that the money saved by the vast sums of money to ITV. channel could be spent on

ance" policy, resulted in the to phase out the formula so It led to one of Mr Grade's more British programming. regularly beyond the 10 per the main commercial net most successful campaigns - Another campaign which Mr cent that had been Sir Jer- work, designed as an "insur- persuading the government Grade and his chairman Sir

the channel. The timing of Mr Grade's departure comes partly because he believes these two big campaigns have been won and Channel 4 is on an even keel. The other reason for his departure is to earn serious money. Although having a

salary of about £450,000 a year, Mr Grade has been the poorest of the Grade showbusiness dynasty. He was never looking for money on any terms. He

returned from Los Angeles programme maker Embassy to become controller of BBC1 for less than his US Christmas bonus. He also vehemently opposed the privati-sation of Channel 4 when he could probably have earned millions in share options.

Raymond Snoddy Editorial Comment, Page 13

Michael Bishop believe they have won is persuading the Mr Michael Grade plans to join the "family firm", First government not to privatise Leisure Corporation, as full-time executive chairman, Raymond Snoddy writes. The aim is to expand the company's interests in entertainment and take the company into film distribution, following in the footsteps of his uncles Lord Lew Grade and Lord Delfont. An announcement on Mr

Grade's move away from the broadcasting industry after 23 years is imminent. His arrival as an active, full-time chairman of First Leisure, which operates bingo halls, bowling alleys and discos, could transform the company's fortunes.

Last year saw a 9 per cent rise in pre-tax profits to £43.7m for the 53 weeks to the end of October on turnover of £183m. City of London analysts, however, were disappointed.



Eagle Eye · Louise Kehoe

Pitch beyond base

A new standard enabling easier creation of multilingual versions of pages will improve the Net's cultural reach

I call it the "World Series Syndrome". It is the peculiarly American view of the world that seems to pervade

high-tech industries.
As sports fans will know, the so-called World Series is a baseball championship played by US and Canadian teams. The rest of the world is not relevant to the game. This is an attitude that reaches well beyond the baseball diamond.

Take, for example, the World Wide Web. Dominated by US websites, supported by software developed in the US, and run largely on US-made computers, it may be global in reach but it is distinctly American in style.

The web may, however, be about to become more culturally diverse. Unicode, a standard for the display of text that enables website publishers to create multilingual versions of their pages more easily, could be the way to a truly international Internet.

Supporters of the standard include a who's who of the software and computer industries. Netscape Communications recently took the next step by promising to incorporate Unicode compatibility in its future products. Let's see if the other baseball fans will follow.

If you use Internet search Dominated by services, you have probably noticed that advertising banners sometime relate to your search topic. You type in golf, for example, and an advertisement for golf clubs appears. This is a rudimentary method of targeting global in likely advertising prospects or matching commercial messages to the interests of the consumer.

Cookies, the bits of information that some Internet American sites plant in your computer files to give you an elec- in Style tronic identity, can also be used to build a profile of your interests.

targeting are just over the horizon. These involve tracking and recording the "clickstream" of users' movements on the web in order to learn and even

anticipate their potential interest in a product or service. Visit websites for watersports and fancy cars, for example, and you may become the perfect target for the adverts of an

upmarket holiday resort. Within six to eight months this technology may be in widespread use on the web, I am told. Good news for advertisers, perhaps, but a step further in the erosion

of privacy on the Internet,I I am not persuaded by assurances that the clickstream will be anonymous. If websites that demand registration then link names and addresses to clickstreams there is clearly potential for abuse.

Another new development in web advertising that raises some tricky questions is the emergence of software that enables "geographic targeting".

Using software that traces the path of incoming signals, similar to those that you see at the top of an e-mail message, advertisers will be able to target Inter-

US websites, the World Wide Web may be reach but is distinctly

FINANCIAL TIMES

Conferences

The current supply picture and development towards 2000

New opportunities in the rapidly growing Asia Pacific region

The impact of technology on competitiveness

Mr Heinrich Stawowy

Krupp Thyssen Nirosta GmbH

Vice President and General Manager

Chief Executive Officer

Seamless Tube Division

Mr Per Ericson

President Elect

Chairman

AB Sandvik Steel

Mr Ratan Jindal

Managing Director

ELG Haniel Group

lindal Strips Limited

Mr Friedrich Terörde

FORTHCOMING EVENTS:

WORLD STAINLESS STEEL

Mr/Mrs/Miss/Ms __ First Name

← Lufthansa

Company/Organisation

But far more sophisticated methods of Internet A pizza store in Palo Alto. A pizza store in Palo Alto, California, for example, will be able to advertise to local residents without wasting its messages on pizza eaters

in London. The same will be true of other content providers. Netscape, for example, is developing new versions of its website aimed at users in different parts of the world. It may decide to feed automatically the French version to users in France, for example, or the Chinese version to China.

All well and good, but once it is technically feasible to "target" specific communities, it may be equally possible to exclude others.

In the hands of censors or those determined to uphold the legal and social mores of a community, this software may represent a serious challenge to freedom of expression on the Internet. It doesn't take a lot of

imagination. Perhaps a US Bible Belt judge will ban "adult" web sites, or the government of some country will demand politically correct content.

Once web publishers have the tools to comply with such demands, they will be under intense pressure to use them if they are to avoid legal challenges

As America Online struggles to placate angry users of its oversubscribed services and fend off lawsuits. competitors are having a field day. At the kickoff of the

Super Bowl football game on Sunday, CompuServe aired a \$1m television commercial aimed directly at disgruntled America Online It began with a blank

screen and the sounds of in the Eagle Eye discussion repeated unsuccessful group on the FT website: attempts to connect to an unnamed online service. Then: dependable Internet access?

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Executive Vice President

Changing patterns of demand and the push for higher grades of stainless steel products

Will there be enough raw materials to meet the demand for stainless steel products?

CompuServe. Get on with

Also, in a not so subtle effort to promote its own services, AT&T WorldNet has made it known that more than one-third of its new subscribers are switching from AOL in search of more reliable service.

The Internet access industry should not be so quick to throw stones. AOL is hardly the only service that has failed to expand its infrastructure fast enough to keep pace with a growing subscriber base. Neither is AOL alone in having technical problems that take some of its services offline from time to time.

How long will it be, I wonder, before other Internet providers find themselves at the wrong end of law suits?

The five class-action suits and threats of consumer fraud charges facing AOL may serve as an example of how users can fight back when they do not get the service they expect.

Moreover, the AOL debacle may discourage new users from trying any online/Internet service. In this emerging industry, bad news for one is bad news for

Bill Gates can afford any thing, you might think. But not quite. Try searching the Microsoft website for win* (as in winners, windows or wink) and the response suggests some limit to his

Share your views on Internet advertising. AOL, Bill Gates and all related topics

wealth. The query is "too

expensive" to complete, you

will be told. Poor Bill.

"Looking for Contact Louise Kehoe:



Using the Net · Joia Shillingford

Net's quicker delivery

of software distribution will reshape the market

arrives in a huge box on a set of disks or a CD-Rom. It is usually expensive, bulky and heavily advertised; and the user pays for all that packaging and marketing.

But thanks to the Internet, this could be about to change. The Net threatens to transform the way software is distributed, priced, its size and the market's winners Distributing software over

the Internet to be downloaded by a computer from a web site has great advantages for start-up software companies. It lowers the entry-barrier, making worldwide distribution cheap and easy and eliminating the need to compete for retail shelf space against giants such as Microsoft.

it also means products can go from completion to distriting software on to compact discs, boxed up with a manual and delivered to stores, takes at least several months. Loading software on to a web site for downloading can take minutes and costs almost nothing. This means small, nimble

in getting their product to market. "The new business model is one-to-five guys writing an applet (miniapplication) for the Net in a garage," says Michael Avis, Sun Microsystem's UK product marketing manager.

But distribution is not the only area of change. A lot of software is available free over the internet, partly because secure payment methods aren't widely used and partly because giving it away is one way of compet-

ware producers such as Microsoft. This approach is helping to depress prices and is also used as a way of building market share then charging.

"Prices of software have come down in the last few years and will continue to fall," says Steve Roberts, Internet marketing manager at Intel Europe. "Small companies can be very aggressive on price and the availability of free software has a knock-on effect. Some companies offer a free trial online, then - if you pay give you a code to unlock the full version.

Others are building up huge numbers of customers for free user software, then making money selling compatible software for server computers on the Net. For example, Internet browser company Netscape makes money on server software, but users often get its Navigator browser for free.

Similarly, Net surfers can download without charge Real Audio software, which lets them listen to music on the Internet. The company then charges companies which want to put compatibution far more quickly. Get- ble software on their servers. A possible development -

pay-as-you-go software may hit some companies' profits. Larry Ellison, chairman and chief executive of Oracle, thinks that users will log on to the Net to use applets only occasionally. These could be components companies can be very quick of the large software suites (such as Microsoft Office)

> Information Technology ● The FT's review of Information Technology appears on the first

computers today. For example, they could log on to the Net to download readymade graphics to illustrate a report.

But Bill Gates, the Microsoft chairman, is not convinced. He says: "Once bandwidth goes up, we could distribute the content of a CD-Rom electronically, but we are not going to say 'go and many newcomers, "It is here for the grammar impossible to say which checker, go there for the spell checker'.

Software delivery over the Net is only viable if applications are fairly small, otherwise it takes hours. "The Net

Loading software on to a web site can take minutes and costs almost nothing

model of software makes suites of office software like as-you-go, overhyped fea-Microsoft Office or Lotus's SmartSuite seem mono- profit. lithic," says Avis. Software companies writing big applications may have to rethink the way they do things.

The Net is also helping to establish new de facto stan- per cent share of the operatdards other than Windows. such as Sun's Java language for writing applets (which can run on a variety of "There are lots of opportu-

nities for developing new Internet software - in the areas of electronic mail, groupware, multimedia, video compression, security etc," says John Moroney. senior consultant at researchers Ovum. In particular, small applications take less time to develop, lowering the start-up cost for new entrants.

Yet there are still obstacles to be overcome before the new business model takes hold. Secure payment This is part of a series on over the Net needs to be widespread; users need fas-

Transformation ing against established soft- people use on their desktop security needs to improve so that users do not risk downloading viruses with their software. Most of these problems are likely to be addressed over the next few years, with greater telecommunications capacity taking the most time. Companies which will ben-

efit from the new business model include Sun, Netscape companies will win from the Net," says James Ribisch of researchers Input. "Many of them will be new names. Who had heard of Netscape a few years ago?"

As development and distribution costs fall, European software companies may also challenge America's dominance in the industry.

Those most at risk will include those dependent on sales of proprietary operating systems and related products, and on feature-rich desktop software. Under paytures won't generate much

"Microsoft is not going to be able to hang on to its market share over the next five years," predicts Eibisch.

Avis says Microsoft's 90 ing systems market could fall to 70 per cent. But Gates's company is adapting to the new business model faster than many other established software companies, with free Internet browsers and paid-for soft-

ware on the server. "The Internet is already having a big impact," says Roberts. "Distribution via the Net has a great appeal for small companies, because they get to keep more of the profits."

As Avis says: "The Internet changes the rules of the software market completely."

how different industries are using the Net Previous ter, cheaper phone lines for articles appeared on Novemdownloading software; and ber 20 and December 11.

Wednesday of each month

hinese at a stroke new piece of software may be about to revo-**L**lutionise Chinese businesses. Produced by Motorola's Lexicus division - specialists in bandwriting and voice recognition software – WisdomPen enables Chinese users to write directly into their

computers. In trying to get to grips with the computer age, the Chinese have long been hindered by their language. Everyday Chinese has some 3.000 characters, which makes the use of a conventional keyboard imposs-

Different Chinesespeaking countries have dealt with the problem in different ways. In China, for example, the tendency has been to use a system of alphabetic codes to repreent each Chinese character and specialist coders are employed to type in handwritten business reports and letters. In Hong Kong, on the other hand, businesses have used Chinese when speaking and English in written communication.

Attempts have been made to introduce Chinese character-recognition software, but the programs have been low

Kim Thomas looks at the latest character recognition business software



Written example: everyday Chinese has 3,000 characters

WisdomPen is different long been the holy grail," says Brenda Scariot, assisbecause it can recognise cur-sive (joined-up) writing the sort of writing that most Lexicus. Chinese would naturally

It can also recognise the order of the strokes, important because so many Chinese characters are similar. With the aid of a special pen provided with the software. the user writes on to a digitalising tablet and the text appears on the screen.

"Handwriting recognition both on speed and accuracy. is very difficult to do; it's software.

tant marketing manager at Lexicus. "WisdomPen

allows people, for the first

time, to write off the top of their head." The system uses a combination of hardware and software. Electromagnetic technology allows the tablet to sense the position of the pen on its surface and pass the x

and y co-ordinates in the order in which they were written to the WisdomPen

This converts the coordinates to strokes, analyses their sequence, matches the strokes to an internal dictionary containing 20,000 characters, and displays the result on the screen in Chinese fonts. It is clever enough to be able to interpret poorly written characters from context.

The release of WisdomPen has been well-timed. Later this year, Hong Kong will be returned to China and this. will increase need for communication between them. However, each uses a different form of written Chinese: in Hong Kong, Chinese is written using a traditional character set, but in China a simplified set is used.

WisdomPen can recognise both traditional and simplifled forms, as well as convert from one to the other. This means that the uses can write in traditional Chinese and the text will appear on the screen in simplified Chinese and vice

WisdomPen, which costs \$200, runs under both Windows 3.1 and Windows 95. It has already been releas Taiwan and Hong Kong and will be marketed later this year in China, the US and Canada.

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149 Tottenham Court Road, London W1P 9LL, UK **■** United Airlines

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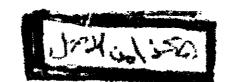
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Television/Christopher Dunkley

The short, sharp facts

drama and comedy are going through a gramme about ancient bodies good patch while current affairs and documentaries languish. Far more often, however, the reverse is true and the 1997 new year season is no exception. One reason may be that while drama and comedy are now limited almost exclusively to series, there is still considerable scope for factual programmes which come in ones, twos, threes, or fours.

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For example, the oddest and most striking programme of the past week was a one-off documentary on Channel 4 called Evita: The Unquiet Grave. Cleverly timed to catch an audience which has recently seen the cinema version of the Tim Rice stage musical Evita, this provided a quick precis of the extraordinary, though now familiar, story of the life of Eva Peron, and then devoted most of its 60 minutes to the even more bizarre and quite unfamiliar story of what happened to her after death.

Producer Ana de Skalon and director Tristan Bauer managed to persuade a succession of people to explain how her body was elaborately and expensively embalmed, so that all her internal organs were preserved and her joints and muscles worked. Successive intelligence chiefs then kept her corpse in a room next to their office and, according to one, his predecessor committed serious, even un Christian, acts against her body". Fearing that the corpse could become the focus for Peronist demonstrators, the government secretly shipped it to Italy where it was buried under a false name, only being returned to Peron 14 years later. The programme managed to get hold of photographs taken by Peron after the exhumation, showing a broken nose and other damage. Finally we saw the

family tomb where the body lies today. Even when factual material is presented in the form of series these consist, more often than not, of sequences of single programmes on all sorts of subjects, made by different producers:

nce in a while you get the Secret Lives (last night, Princess Marfeeling that there are garet), Inside Story (last night on naval more good fictional than survival courses), Cutting Edge (Monfactual programmes on day, the 1994 helicopter disaster), Hori-British television, that zon (returning tomorrow with a propreserved in ice) and many more. Tonight BBC2 screens the first in a fascinating series called The Aristocracy comprising four programmes each lasting 50 minutes. It is virtually inconceivable that any network today would commission a four-part comedy series.

> he Aristocracy provides almost as much entertainment as information, though the English families in question are so crammed with eccentrics that this seems to be more serendipity than deliberate planning by producer/director Sam Organ and director Rachel Bell. In today's programme Christopher Sykes explains his great-great-uncle's attempts to curry favour with the Prince of Wales, even enduring glasses, and eventually decanters, of brandy being poured over his head; and we hear about the Marquis of Anglesey who had 400 pairs of pyjamas, liked his wife to come to bed n nothing but jewels, and often did "the butterfly dance" in home dramas for which he hired West End professionals. These being the people with money, there is much good archive

> material, of course. In vivid and depressing contrast there is now virtually no scope for short series of comedies or dramas, let alone one-offs. Consequently when you get a really rotten comedy - BBC2's Grown Ups, say, or Channel 4's Captain Butler - it goes on week after week. You wonder how a partnership as successful as Marks and Gran, responsible for such popular series as Birds of A Feather, Goodnight Sweetheart and The New Statesman could possibly come up with anything as unimpressive as Grown Ups, until it dawns on you that this must be an attempt to do an English version of Friends.

Like an English rodeo or an English baseball game, it proves to be not just inferior but positively embarrassing. It Network First (last night, dwarfism), is one thing to have a crowd of good



ARTS

looking young Americans inhabiting a single apartment, with wise-cracks ricocheting off the walls, and quite another to have a crowd of fortysomething Brits in a flat, bickering and reliving their youth. As for Captain Butler, with poor Craig Charles cast as the pirate king, we have seen nothing so consistently dim and witless since the days when Charlie Drake was regu-

Craig Charles is also a member of the cast of Red Dwarf, a series which, like every other batty space opera from Star Trek to Blake's Seven, from Buck Rogers to Dr Who, is becoming an international fad. But the new series makes the mistake of abandoning the original cheap and cheerful formula of claustrophobic studio set with jokes emerging from character and send-ups of previous space series. Instead we are getting tediously elaborate plots in which, for instance, our heroes change the course of history by time-shifting themselves into the Dallas book depository just as the crucial shots are to be fired at John Kennedy. Not for the first time, the producers appear to have been more impressed than the viewers by previous atypically ambitious epi-

sodes such as the one set in a wild west of everyone in network television to saloon. Red Dwarf, like Porridge, is at its best when its characters are most closely confined.

The most promising of this season's sitcoms is ITV's Holding The Baby which stars Nick Hancock as a singleparent father with a fetching baby son and a slob of a brother. Judging from an opening episode is perilous, but writer Mark Wadlow appears to have several strengths. Not only is he not in thrall to feminism, he may actually be willing to have a go at this sour creed which dominates so much of television. (The idea that Men Behaving Badly is some sort of male backlash could only be believed by someone who has never seen the abject self-denigration of the men in that series).

There is a character named Laura in Holding The Baby who is not only a woman but a believer in aromatherapy. Chinese herbalism and so on, and still she is the butt of jokes. In the television of 1997 that suggests courage verging on the foolhardy. There is probably a tribunal somewhere to which comedies of this sort are supposed to be reported.

It cannot, surely, be beyond the wit

provide regular slots which can accommodate one- (or two- or three-) part dramas or comedies. Some might lead to longer series, but that need not be the object. God did not decree that television fiction should come only in long

From the viewer's angle the danger with Channel 4 is that, thanks to its financial success, it will turn into another common or garden commercial network. Michael Grade's greatest achievement as chief executive for seven years has been to fulfil the famous "remit" in serving minorities and making programmes (not all, but a good proportion) that are different. Grade has always combined the instincts of a populist with a powerful belief in freedom of expression, a combination which has served Channel 4 well. If we are to continue to have the benefits of Channel 4's difference then his successor - Alan Yentob from the BBC? David Elstein who has scarcely started yet at Channel 5? - will need that same bump of obstinacy and nonconformism possessed by both Grade and his predecessor, Jeremy Isaacs,

A Debussy marathon

went to Philippe Cassard's Debussy marathon at the Wigmore Hall on Sunday, partly to find out why he had undertaken it. It seemed an odd thing to be doing: all the solo-piano pieces worth playing - nay, more - in four recitals, from 11.30 in the morning until 9.45 at night. By the end I was none the wiser about that, though there had been enough musical pleasures to justify the day.

From experience (especially at Finland's Kuhmo Festival, where he is a regular team-memb*e*r) I know Cassard to be an excellent pianist and musician, adept in many idioms. Actually he over-egged each of his Debussy programmes at the Wigmore by including another piece by some composer who mattered to Debussy: Rameau (played with elegant distinction), Chopin's Barcarolle, Wagner in an anonymous transcription of "Traume" from the Wesendonck sones, Fauré's Sixth

Theoretically the four programmes were organised around those distinct influences, but in practice too much Debussy that answered to none of them had to be got in. We heard too many of his "juvenile" pieces, before he turned 28: he was a precocious talent, but his genius took longer to burgeon. The "mature" Debussy lineaments one detects in that early music are his least original ones (Ravel, his junior, broke radical ground much earlier).

After the first eight hours it was downright uncomfortable, at the midpoint of Cassard's last instalment, to switch from innocent 19th-century Debussy to the grown-up, richly seductive stuff.

n the juvenile pieces Cassard was mock-naively charming, just as required - though he played most of them from the printed music. So he did with Debussy's two much later books of Etudes, which betokened trouble. A pianist who needs the visible notes to guide his performance of Chopin's etude-figurations (or Liszt's, or Liapunov's) is at a real disadvantage, unless he or she has perfect eye-and-finger co-ordination; but those who have to have Debussy's visionary *Etude*-texts before their eves printed on three staves, in harmonies dense with double-flats and -sharps – can never be ideally comfortable with them.

In fact Cassard sounded under-practised there. Though the first study "Pour les cinq doigts", a whimsical joke about plano-practice, was properly playful, the studies in (respectively) thirds and fourths found him plucky but not brilliantly fluent. In the octave-study his bass octaves were all over the lot - as also in the study "Pour les accords", a test of triking chords high and k breathless succession.

In a grand conspectus like Cassard's, one expects superlative polish in all the major works; attractively stylish playing in a slew of minor pieces is too little compensation. But he displayed so much canny, beautiful accomplishment in the other main works - the Estampes, the paired books of Images and Préludes, and for

good measure the earlier, exuberant Pour le piano suite and L'Isle joyeuse as to scotch any disappointment. Debussy's mature piano-music could well be squeezed into two recitals instead of spread through four, leaving Cassard more time to practise the Etudes - even perhaps to learn them

"Cloches à travers les feuilles" in gorgeous, many-levelled sound that set the Wigmore ringing. With the simplest pieces he was brusquely tender, full of honest feeling without sentimentality. We need this thoughtful, well-educated planist; he

may become a staple.

by heart. At his best, however, Cassard

realised "Brouillards", "Pagodes" and

David Murray

Theatre/Simon Reade

Relentless hunt for a husband

mina, a Moroccan maid working in a central London hotel. moans "I need an Englishman!" Her quest is the subject of Paper Husband, the first play by the Arab novelist Hanan Al-Shaykh, which has opened at Hampstead Theatre. Amina faces deportation unless she can claim British residency through a domiciled husband. She is side-tracked in her mission when she falls for the charms of a non-Moroccan Adonis.

Amina's man is Gabriel, an art school graduate who has been wasting his time Hoovering in the hotel. She ensnares him swiftly but he turns out to be unsuitable. He does, however, provide a catalyst for an odd hybrid of cod-Arabic and mischievous feminist humour, nicely pointed in Gemma Bodinetz's bright production.

The dialogue is sprinkled with bastardised Arabic proverbs: "Don't jump in to snatch up the egg before the bird has laid it". There are some smashing insults: "You've got fleas in your armpits..." (the colourful translation is by Catherine Cobham). Yet one-liners do not add up to sustained, characterful narrative, despite an additional fairy-tale frame. (A bungling fairy-god-

mother pimps unsuitable husbands Amina: a Moroccan misogynist, a smelly tramp, a gay neighbour.)

Al-Shaykh touches upon the politics of immigration: the vexation of visa requirements in this country, the tacit approval of marriages of convenience, and the humdrum emigré procurement of council flats and NHS glasses, subsidised "from the Queen's purse". Similarly she alludes to Britain's xenophobic paranoia about kidney-snatching. hashish-trafficking Arabs.

Amina and Gabriel seduce each other - he for an opportunist one-night stand; she to obtain a visa by luring a husband on paper. She finds herself wanting more commitment and falling in love. At this point the urgency of the plot is lost. He is callous: "We had a nice time together, all right? But don't spoil it ... I can't commit myself to an idea, so how can I commit to a woman?

Sasha Behar's petulant Amina has a smart feline smile, though her performance turns a bit mawkish. Rupert Penry-Jones's Gabriel - arch, but not much of an angel - is irresponsibly lazy, egotistical, and yet utterly charming. He has all the accoutrements of



Rupert Penry-Jones and Sasha Behar as Gabriel and Amina in Hanan Al-Shaykh's first play

than the Chelsea Art School. It is a ual activity. It is also a purposeless, super, studied performance.

the seasoned traveller abroad, down to dominated by a bed - in the hotel- as deep as the play will allow, below the rainbow poncho, but the sneer of room, in Amina's bed-sit. The bed is the fragile comedy into the deep someone who has not been further an inviting, comfortable arena of sex-despair. empty vessel for the lonely, unloved

At Hampstead Theatre until February

Lucy Hall's design is cleverly insomniac. Bodinetz's production digs 22 (0171-722 9301). by Brahms and Schubert; 8pm; Feb 2 Collection and Botanical Hannula: to Feb 2 performs works by Schubert. Part Gardens Tel: 1-818-405-2100 ● Let There Be Light: William of the bicentenary of the birth of ■ LONDON INTERNATIONAL Tyndale and the making of the Feb 16 Schubert celebration; 8pm; Feb 2 MUNICH English Bible: exhibition tracing CONCERT **OPERA OPERA** Wigmore Hall Tel: the life and work of the **■ EDINBURGH** Gloucestershire priest William Théâtre de l'Opéra Comique Tel: Cuvilliés-Theater - Altes 44-171-9352141

■ AMSTERDAM minutely detailed panoramic landscapes; from Feb 1 to Apr 20 CONCERT Concertgebouw Tel: ■ HAMBURG 31-20-6718345 EXHIBITION ◆ Het Residentie Orkest: with

BERLIN

8.15pm; Jan 31

DANCE Deutsche Oper Berlin Tel: 49-30-3438401 Ballett der Deutschen Oper Berlin: perform Jiri Kylian's "Stamping Ground" to music by Chavez, William Forsythe's "In the Middle Somewhat Elevated" to music by Thom Willems and Dietmar Seyffert's "Heimkehr" to music by Mahler; 7.30pm; Jan 31

conductor Ton Koopman and

violinist Marieke Blankestijn and

the Amsterdam Baroque Choir

perform works by Schubert;

DUBLIN

CONCERT National Concert Hall Tel: 353-1-6711888

EXHIBITION

Scottish National Gallery of Modern Art Tel: 44-131-5568921 James McIntosh Patrick: exhibition marking the artist's 90th birthday and featuring around 10 oil paintings, watercolours and prints. Mointosh Patrick's work concentrates on

Hamburger Kunsthalle Tel: 49-40-24862612 Italienische Zeichnungen der Renaissance: display of drawings from the museum's own collection covering the Renaissance period from its formative years (Mantegna and Botticelli) through to the later works of Leonardo, Raphael and del Sarto; to Mar 23

■ HELSINKI

EXHIBITION Art Museum - Ateneumin Telde Museo Tel: 358-9-173361 Exlibris Exhibition: a comprehensive survey of exlibris art from Finland, included are works by such masters as Aksell Gallen-Kallela, Louis Sparre and Hugo Simberg, as well as contemporary graphic artists such as Pentti Kaskipuro and Simo

 Michael Thalmann: the pianist performs works by Bach, Bloch, Liszt, Holliger and Schubert;

EXHIBITION Victoria & Albert Museum Tel: 44-171-9388500 ● Living Silver: a display of 21 silversmiths commissioned by the

7.30pm; Jan 30

Crafts Council to produce creative, affordable and functional domestic tableware. Pieces include a candieholder, a champagne flute and a parmesan grater. All the work is available to buy; to Apr 2

THEATRE Cottesloe Theatre Tel: 44-171-9282252 The Cripple of inishmean: by

McDonagh. Directed by Nicholas Hytner. The cast Includes Ruaidri Conroy and Anita Reeves; 7.30pm; Jan 30, 31; Feb 1 (also 2.30pm) Wyndham's Theatre Tel:

44-171-3691736 · Art: by Reza. Directed by Matthew Warchus (in English). The cast includes Albert Finney, and Tom Courtenay; Tue - Sat 8pm, Sun 5pm (Wed also 3pm. Sat also 5pm); to Mar 9 (Not Mon)

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■ LOS ANGELES EXHIBITION Huntington Library, Art

Tyndale, who first translated and printed the Bible in English in the 16th century. The highlight of the display is the only surviving complete copy of the first edition

time in the US; to Feb 7

lithographs; to Feb 23

EXHIBITION

 Giulio Cesare: by Handel. Conducted by Ivor Bolton and of his New Testament, dating from 1526 and seen for the first 7pm; Feb 1

MADRID

Fundación Juan March Tel: 34-1-4354240 Toulouse-Lautrec (from Albi and other collections): exhibition of 55 works by the French painter Henri de Toulouse-Lautrec, 27 of which come from the the Toulouse-Lautrec Museum In Albi. the birthplace of the artist. Included are 40 paintings and 15 10am; Jan 31

Palacio de Velázquez Tel: Avery Fisher Hall Tel: 34-1-573-62-45 Juan Muñoz: exhibition 1-212-875-5030 devoted to the work of this Spanish sculptor. The display features 89 sculptures, drawings and sketches and aims to give insight into the artist's working

methods; to Feb 15 EXHIBITION

CONCERT Teatro alla Scala di Milano Tel: 39-2-88791 Soloists of the Orchestra del Teatro alla Scala: perform works

Residenztheater Tel: 49-89-296836

performed by the Bayerische Staatsoper. Soloists include Ann Murray and Kathleen Kuhlmann;

■ NEW YORK AUCTION

Christie's, Manson & Woods International, Inc. Tel: 1-212-546-1000 Oid Master Paintings: the sale includes Bellini's "The Madonna and Child with a Goldfinch". Giordano's "The Immaculate Conception" and "Youth Picking Grapes at Night" by Veláquez;

CONCERT New York Philharmonic: with conductor Kurt Masur perform works by Schubert; 8pm; Jan 30,

PARIS

Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50 Jesús Rafael Soto: retrospective exhibition devoted to the work of the Venezuelan contemporary artist Jesús Rafael Soto. The main focus is on his work in the mid-1950s. Included are his paintings on Plexiglass; to

33-1 42 44 45 46 Le Comte Ory: by Rossini. Conducted by Rico Saccani, performed by l'Opéra Comique and the Jeune Théâtre Lyrique de France. Soloists include Rockwell Blake and Marie-Ange Todorovitch: 7.30pm: Jan 30: Feb

■ THE HAGUE

DANCE Lucent Danstheater Tel: 31-70-3609931 Nederlands Dans Theater II: 10.00

perform Hans van Manen's "Solo", Johan Inger's "Sammanfall", Lionel Hoche's "Volubiles" and Joe Kanamori's "Under the Marron Tree" to music by Mahler; 8.15pm; Jan 29, 30

ZURICH

OPERA Opernhaus Zürich Tel: 41-1-268

 La Bohème: by Puccini. Conducted by Rafael Frühbeck de Burgos, performed by the Oper Zürich. Soloists include Danlela Dessi, Dawn Kotoski and Rudolf A. Hartmann; 7.30pm; Feb 1 Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Copyright 1997. All rights reserved, Tel: 31 20 664 6441. E-mail: artbase@pi.net

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Edward Mortimer

Action for peace

Politicians should focus on conflict prevention, even though success is hard to measure and earns scant credit

Most of today's conflicts start within states rather than between them, but they often spill across borders. That makes them impossible for other states to ignore, yet very awkward and expensive for them to deal with. Seeking a way of "stopping wars before they start"* is thus a matter of self-interest as well as

philanthropy. "Conflict prevention" has become of intense interest to foreign policy specialists. the subject of endless symposia and seminars. The latest, held in London last

heard two case studies: one about the Great Lakes region of Africa, where conflict prevention has clearly failed: the other about the Baltic states, where so far it has succeeded.

In the context of the Great Lakes, the dear old "international community" was lambasted once again for helping to rebuild the Rwandan Hutu militia responsible for the 1994 genocide, and so failing to prevent the current fighting in eastern Zaire. It was said to have done this by supplying food to refugee camps which the militia controlled. without disarming the "intimidators" or separating them from the civilians. This, we were told, could easily have been rectified by deploying "a few hundred

If only life were that simple. In the real world, conflict prevention is seldom an easy option, because you cannot prove in advance that it will work. You know when it has failed, but if it succeeds, there is always the suspicion that it was not really necessary in the first

That applies even to Nato and the European Union, which between them are credited with keeping the peace in Europe for 40 years. It is not certain that the Soviet Union would

existed, or that France and Germany would have reverted to war if the EU had not come into being. How much more, then,

must there be doubts about the efficacy of someone like Mr Max van der Stoel, high commissioner on national minorities for the Organisation for Security and Co-operation in Europe

have prevented conflict in the Baltics by persuading Estonia and Latvia to be slightly less provocative in their treatment of ethnic Russians. But the conflict may yet happen, or maybe would have been avoided anyway - without OSCE intervention.

You never hear about Mr van der Stoel, which may be the secret of his success. As Mr Marrack Goulding, the UN undersecretary general. said when a TV company asked him where it could film preventive diplomacy at work: "If you can film it, it probably isn't working." A related problem is iden-

tified by Mr Jonathan Eyal. director of studies at London's Royal United Services Institute. 'In electoral terms," he wrote last year,

invest in conflict prevention is like asking a teenager to start saving for a pension: the argument may be correct, but the advantages are too hypothetical to seem real at the time."

There are few clear rewards for a politician who takes risks or commits national resources to deal with a conflict which has not yet happened. It is true He has a tiny staff and a the costs of not doing so tiny budget, and yet he may may eventually be much greater, but they cannot be assessed in advance with any certainty. In any case, the chances are they will be suffered by someone else, after the next

> It would be something, at least if governments could abstain from actions that actually increase the possibility of conflict. Many governments now require an "environmental impact assessment" as part of the decision-making process on planning and economic issues. Perhaps all foreignpolicy decisions should be subject to a "conflict impact assessment".

This would apply most obviously to arms sales, or to diplomatic decisions such as the recognition of new states. But it could also

Europe if Nato had not "convincing politicians to have been applied, for instance, to the British government's decision in early 1982 to withdraw the naval exploration vessel Endurance from the South Atlantic, which led the Argentine government to think (wrongly) that Britain would not oppose a forcible seizure of the Falkland

Conflict prevention requires concerted action by international bodies. Even the US, as the sole remain ing superpower, cannot always influence events in foreign countries without enlisting the co-operation of other states.

In Europe, the best bet must be to strengthen and enlarge the EIJ, while using the OSCE to formalise the Russian role in European security, thereby heading off a potential conflict arising from Nato enlarge

Conflict prevention also requires, at a minimum, effective and well-trained diplomats in zones of potential conflict. That means making clear choices about the allocation of national resources, rather than subjecting all departments to the same squeeze.

Expenditure on national security needs to be looked at as a whole, so that the value of money spent on diplomacy can be weighed fairly against the much larger sums still spent on

All this requires politicians to rise above their limited horizons and exercise leadership. Perhaps, in today's democracies, that is asking too much.

This is the subtitle of Preventive Diplomacy, ed. Kevin M. Cahill (Basic Books, \$25.00), a symposium with contributions by senior UN officials, including Mr Rofi Annan, the new secretary-general, as well as experienced conflict media tors such as Lord Owen and Mr Cyrus Vance.



have invaded western Africa's Great Lakes: where conflict prevention has failed

LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEI 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to (44 171-873 5938 (please of fax to fine), e-mail letters adding the companies are also available on the FT website, http://www.FT.com.

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History suggests central banks will soon start to hoard gold

From Mr W. Robert Hoye, Sir. Robert Chote's conclusion ("The golden hoard", January 21) of there being little likelihood of a large selling spree of gold by central banks is reasonable. Although some countries are aware that rising gold prices would impede their ambitious issue of currency and debt, street opinion that some central banks have forced gold down should be placed in perspective.

including this bull market. there have been six great inflations in financial assets since the South Sea Bubble of 1720. Other than ending with a speculative frenzy the most reliable features have been declining real long interest rates and declining real or deflated gold prices. Given the power ful action in securities markets, gold would likely have declined without central bank selling.

In each case, once securities speculation was over, real prices of gold rallied for three years. Human nature of central bankers suggests that, with rising prices, their "selling spree" could become a hoarding spree. W. Robert Hoye,

president. Quantum Research, 1272 West Pender Street, Vancouver, BC V6E 238.

No logic in allowing slots to be sold

rately.

From Mr Cyril D. Murphy. Sir, Your article on the British Airways/American Airlines alliance ("In-flight politics", January 18) clearly outlines why the proposed link-up will have a significant impact on traffic between the EU and America. There is one point, however, on which some clarifi-

cation may be useful. A key dispute between London and Brussels is whether BA and American should be entitled to sell the slots they will be required to relinquish as a condition of approval. You argue that EU competition commissioner Mr Van Miert's "logic seems to have gone awry" in resisting a sale, suggesting a buy/

sell rule is a market efficiency that will improve airport operations. But these are two separate issues that must be addressed sepa-

A buy/sell rule, which we

fully support, would result in a more efficient market allocation of available slots. compared to the current administrative allocation. Such a practice should be allowed. That does not mean, though, that BA and American should be compensated for significantly reducing competition by combining their considerable market shares. There is ample precedent for such relinquishing of assets when companies merge. BA relin-

quished slots as part of its acquisition of British Caledonian, and USAir was forced to relinquish routes - assets otherwise freely bought and sold in the US -- as part of its alliance with BA.

In fashioning conditions for a BA/American alliance, the key is to create an incentive for other carriers to compete with the alliance's dominant share. Making competitors pay for the privilege of competing achieves the opposite result.

Cyril D. Murphy, vice-president international affairs.

United Airlines. PO Box 66100. Chicago, Illinois 60666, US

Uzbekistan right to protect reserves

From Mr Ronald Kennedie. Sir, Your article "Uzbek bid to curb market forces backfires" (January 15) was very interesting but, I feel, omitted some essential background explanations to the situation. Left with an agricultural monoculture (cotton) by the former USSR, the impact of fluctuations in volume and price of that commodity has had a larger impact on the economy than could be considered desirable and for that reason

would have forced any government to take action: Although Uzbekistan has considerably increased its industrial output, to the extent that it is the only Commonwealth of Independent States country that has shown a real increase in comparison to 1991, the year the USSR was dissolved, a

lot of the effect stands to be undone by uncontrolled and speculative trading in a lowquality and overpriced product, endangering a substantial part of the currency reserves so carefully built up and needed for further expansion of the economy.

For that reason the Central Bank did not just revoke all convertibility licences as the article states but . replaced the old system with a new one that allows for better control and will allow for excesses to be avoided. Part of this system is to allow a larger convertibility for products needed, and at present, not being manufactured in Uzbekistan. This explains the logic behind your article's humorous examples of restrictions on

certain products At present, Uzbekistan has

reserves that cover about seven months' imports ~ roughly three times the reserves a western country tends to keep. This in itself explains the commitment of the Uzbek government to stable and cautious financia policy.

Uzbekistan is not obsessed with control, but it is rightfully concerned about the undestred consequences of a lack of control as have occurred in a number of the other countries within the

Ronald Kennedie, department for international investment marketing, National Bank for Foreign Economic Activity of Uzbekistan. Tashkent, Uzbekistan

Japan happy to reveal differences

From Mr Yuuichi Kusumoto. Sir. Your article on the OECD Air Transport Report "OECD air transport report angers the Japanese" (January 20), and the editorial "Flying low" (January 21) chastises Japan for being the first country to break with the time-honoured tradition of consensus within the OBCD and for openly criticising the report.

Indeed, consensus forms the backbone of OECD decision-making. But it should also be noted that consensus can be, on occasion, a mixed blessing. In the past, it has meant that some excellent OECD reports could not be published because they lacked unamimous approval by member

In the OECD air transport meetings, divergent views were expressed. Japan attempted to present a realistic and reasonable path to a more liberal and competitive international air transport scheme. Unfortunately, this was not supported by the majority.

Japan agreed to the publication of the report despite the fact that it did not support its findings, on the condition that the repeated minority views be also published. This compromise was greeted in the OECD with applause rather than criti-

It is often difficult to reach

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a consensus in an international forum, particularly on delicate issues on which countries have widely divergent opinions. When this arises there are a limited number of solutions: kill the entire process with a minority veto; invoke majority rule; or candidly admit to and set out the differences in the hopes that future debates will bring the parties into closer accord. In the interest of intellectual integrity and to ensure that the report sees the light of day, Japan opted for the third . solution.

Yuuichi Kusumoto. minister, Japanese Permanent Delegation to the OECD, 11 Avenue Hoche, 75008 Paris.

Personal View · David Marsh

Call for a reality check

Financial markets seem oblivious to the possibility of the EU missing its Emu timetable

doubt that a risks. "wide" economic and monetary union and Spain, will start in January 1999 in line with the Maastricht timetable.

ride to Emu has increased European politicians' belief much displayed at last month's Dublin summit that the prize of the single currency is within reach. The weakness of the

D-Mark, the sharp narrowing of the yield gap between between German and peripheral European bonds, and the end-1996 spurt in most European stock markets can all be ascribed to investor confidence that Emu will begin on time with a large number of participants.

But the acceleration of the Emu bandwagon generates a risk of a disruptive reversal on European financial markets this year. Investors appear to be ignoring economic and political factors that make a "wide" Emu highly unlikely and cast Discord on how doubt on whether even a "narrow" monetary union is to manage areas achievable by 1999.

There is widespread recognition that, when the planned decisions on Emu start up are taken in 1998, most EU members will not quite reach the Maastricht treaty's economic convergence criteria on the size of their public-sector deficits

It is widely assumed, how-ever, that governments will resort to the treaty's "escape clauses", allowing participation by states that are either moving towards the treaty's

exceeded them only temporarily. Emu would then go ahead with at least 10 members as a result of governments' overriding political

There are six reasons why markets the assumption that Emu appear to will be implemented does have little not allow sufficiently for the

First, the overshooting of the fiscal convergence critein Europe, including Italy ria will be too large to afford generous treatment across the board. Although most countries are making consid-Anticipation of a smooth erable efforts to reduce budget deficits in 1997, the European Commission's forecast that 12 will meet the Maastricht target of 3 per cent of gross domestic product is unrealistic,

The latest prediction from the Organisation for Economic Co-operation and Development that nine will meet the 3 per cent target is also likely to prove optimistic. According to OECD forecasts, 12 countries will have public debt in 1997 greater than the Maastricht target of 60 per cent of GDP.

Second, the room for a purely political decision to over-ride the fiscal criteria is limited. Mr Theo Waigel, the German finance minister. has stated that if leading

such as defence and foreign policy, as well as immigration and judicial matters. will stymie any agreement

"reference values" or have 3.5 per cent in 1997 then chancellor, this was sup-"everyone knows that monetary union will not take place in 1999". The Bundesbank has pointed out that EU members will have to register "sustainable convergence" by 1998, relying on more than mere one-off bud-

getary corrections. Third, the danger of an Emu split between France and Germany has not disappeared. The compromise over the stability and growth pact agreed at the Dublin summit to restrain post-Emu budget deficits may prove

> Germans, it looks too loose; for the French, it smacks of a German diktat. Another harbinger of possible trouble is the recent nomination to the Bank of France's monetary council of ing information technology two functionaries reputed to projects. The timetable is favour lower interest rates and a more "flexible" D-Mark/franc stance.

unsatisfactory for both Ger-

many and France. For the

Fourth, many commentators have lost sight of the political complexity of the 1998 decision-making pro-

The European Monetary institute, the forerunner of the European central bank, is highly unlikely to give its blessing to a "wide" Emu in its convergence report in early 1998. Many EU governments - as well as the European and German parlia-ments, which will also have to discuss the issue, will lean towards a "wide" Emu.

The EU's summit in early summer 1998 will have to decide (by qualified majority voting) which countries can participate. There will be a conflict of interest between participants and non-participants which could

easily produce deadlock.
Fifth, over the next six months Emu's fate will become increasingly intertwined with that of the intergovernmental conference on EU reform. According to Mr European strategy at Robert Helmut Kohl, the German Fleming

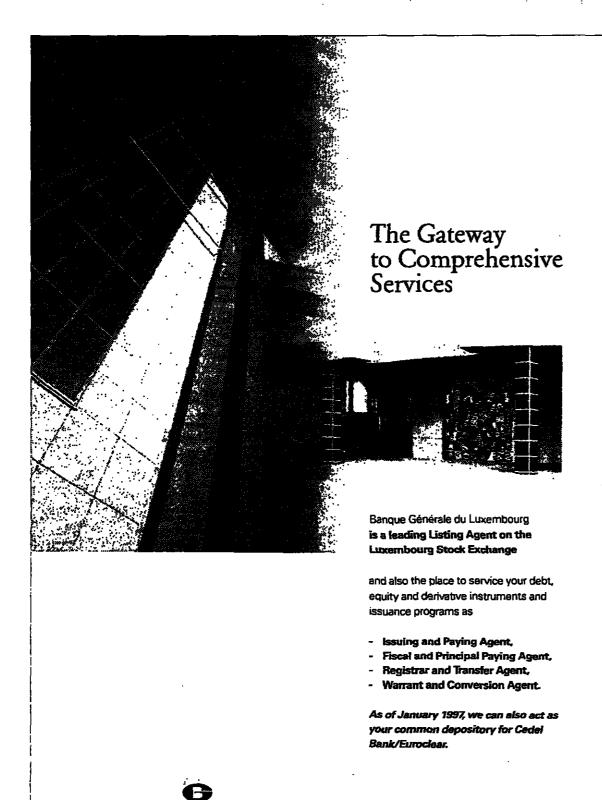
posed to produce agreement on European political union. In fact, discord on how to manage areas such as defence and foreign policy. as well as immigration and judicial matters, will stymie any thoroughgoing agreement - another complication for the German public

debate on Emp. Sixth, technical factors make it highly unlikely the European central bank can start operations by January 1999. Even if EU heads of government can agree on Emu participants in summer 1998, that leaves just six months to cram in all the preparations for the central bank's start-up. This includes the selection of its executive board and the completion of all outstand-

not realistic. Most of these risks are fairly obvious, but there is little evidence of alarm. Could this change in the coming months? Possible flashpoints that could spark financial market unease include the announcement of relatively poor first-quarter growth and deficit figures for Germany, France and Italy; fresh discord over the intergovernmental conference; social unrest in France; tough German statements over the convergence criteria, and Bundesbank hesitation over a further cut in interest rates.

Understandably, the EU's leading politicians have so far not wanted to consider postponing Emu beyond January 1999. Over the next 12 months, however, a delay may begin to look not simply a realistic option, but rather the only one available. Financial markets should the Emu bandwagon.

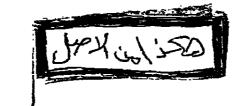
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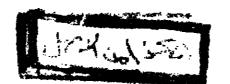


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COMMENT & ANALYSIS

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Hoping for the best

pean monetary union behind of qualifying for it behind them. a "strict" enforcement of the 3 Thus ministers yesterday per cent of GDP required by the played up the long-term, reformist elements of the government's annual economic report rather than the uncomfortable short-term arithmetic.

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With or without Emu, Germany will not be able to find jobs for the unemployed or achieve steady, long-term growth in living standards with- GDP. The OECD predicts 3.4 per out concerted supply-side cent. Of course, the governreform. So Mr Gunter Rexrodt, ment's forecast could turn out the economics minister, should be praised for using the report as an opportunity to reaffirm his commitment to liberalising the domestic electricity and gas markets and freeing up the service sector.

To judge by the immediate response to his plans, Mr Rexrodt may be under-estimating the likely opposition to even these quite modest proposals, from within the governlike the government's tax government's own pronouncereform proposals, outlined last ments have left it very little week, they would all be steps in room to do either. Better by far

the right direction. the blots in the more immediate economic landscape - growth and public borrowing. The govagain, to revise upwards the ble - and for high stakes

Most of the German cabinet official forecast for German genwould dearly love to put Euro- eral government borrowing next year, from 2.5 to 2.9 per cent of them. Or at least, they would GDP. If achieved, this would like to put the messy business still allow Germany to argue for

Maastricht treaty.

between the two.

Yet it is not clear that the new official numbers add up. A survey published earlier this month by Consensus Economics suggested an average forecast among private-sector European economists of a general government deficit at 3.2 per cent of to be right, and the others wrong. But the economic assumptions underlying it are roughly the same as everyone else's. The suspicion must be that politics, rather than economics, explains the gap

Politics and, perhaps, the absence of alternatives. Admitting the deficit could overshoot would mean coming up with new tax or expenditure changes ment as much as outside it. But to make up the shortfall. The to hope that the economy will Yet no amount of talk about once again surprise the doubtthe long term can make up for ers, with a spirited recovery from its end-of-year doldrums. With the currency still on the decline, and monetary condiernment has the embarrassment tions still loose, this is not in this report of having, once impossible. It is, though, a gam-

Chinese light

Yesterday's alliance between Some of the other deals have Power marks yet another stage in the restructuring of corporate Hong Kong ahead of July's these deals is the need for companies to adjust their Chinese relationships in a market where the pecking order has changed.

That Hong Kong business should move in this way is both Hongkong Bank, Jardine Mathethose with China connections, like Citic Pacific whose parent is one of the mainland's largest state conglomerates.

But the slew of deals, which also include last year's reshuffling of stakes in the airline sector and the more recent restructuring of his empire by Mr Li Ka-shing, the Hong Kong billionaire, involve a shift of emphasis which is not necessarily for the better. All the deals are essentially focused on China. They suggest diminishing concern with the territory's role as a Pacific business centre.

Yesterday's deal is a case in point. China Light will benefit from Citic's connections which will help it build up its power business in China. Citic is acquiring a stake in a cash generative business, for which it is paying a fair price.

Citic Pacific and China Light & more disturbing overtones. The recent acquisition by Mr Larry Yung of a large block of shares in Citic Pacific, of which he is handover. A common theme of chief executive, was a sweetheart deal, wholly lacking in transparency. It bodes ill for the integrity of Hong Kong's financial markets if such deals prolif-

The airline reshuffle gave the heyday of British colonial rule line regulator a stake in Dragoit was British companies like nair, Hong Kong's second airline, which subsequently won son and Swire which held sway. rights to fly to Taiwan. That Now the influential players are smacks of a favouritism at odds with China's avowed intention to keep Hong Kong a place of free competition and equal opportunity.

Cynics will remark that such behaviour is just what one might expect from a Hong Kong under Chinese control. Perhaps it was wrong to take too literally China's promise not to interfere in Hong Kong's economic affairs.

Hong Kong may indeed prosper after July, but it will be a different place. It now looks set to be one that looks more inward to China than outward to the Pacific, and one that adheres to a distinctly Chinese form of capitalism in which the right connections are para mount. No one who has followed the evolution of its corporate structure can claim they were not warned.

C4 after Grade

Anyone who runs a public service broadcasting channel with a statutory remit to be innovative cannot expect the warm, consensual pat on the back that accompanies departure from a more conventional job. The media verdict on Mr Michael Grade, the outgoing chief executive of Channel 4, has thus, unsurprisingly, been hedged about with caveats.

For some, the prevalence of imported US comedy series on Channel 4 has detracted from its creative achievements in promoting British film-making. The pleasure taken by others in a superb recent exploration of 20th century music by Sir Simon Rattle is offset by the channel's readiness to broadcast items of more questionable taste. In current affairs, there is criticism of a move down market. Yet for all the carping. what cannot be denied is that Mr Grade leaves a very robust

inheritance for his successor. The channel's share of all television viewing has been running at around 11 per cent, which is above the target originally set for Mr Grade's predecessor, Sir Jeremy Isaacs. It is also impressive given the intensity of the competition that now prevails in a market invaded by satellite and cable. After a fierce increasingly pointless levy pay cultural asset of immeasurable able by Channel 4 to the inde- value.

pendent television companies. This will permit a reduction in the dependence on US imports and an increase in British filmand programme-making.

If Mr Grade proves to have won the battle to prevent the privatisation of this profitable statutory corporation, which is unique in the world in providing public service broadcasting without the help of subsidies or licence fees, it will probably be a good thing. Private sector ownership could only increase the pressure on the channel to deliver conventional programmes to a mass audience.

That is the nature of a market in which television companies sell audiences to advertisers rather than programmes to individual viewers. The notion that a more aggressive mandate for the watchdogs of the Independent Television Commission would satisfactorily resolve the conflict of interest between shareholders and viewers seems highly questionable.

What, then, should be the priorities of any successor to Mr Grade? First and foremost, to recognise that this robust inheritance should be a licence for more innovative risk-taking, not less. In a competitive market where ever more programmes are re-packaged, recycled or relilobbying campaign Mr Grade ant on safety-first content, a succeeded in killing off an radical public service ethos is a

Change to its credit

American Express is seeking to regain lost ground through cutting costs and entering new markets, writes John Authers

American Express: not doing so nicely

cutting at American Express, the financial services giant, have not been enough. On Monday, the company announced it would be laying off 5 per cent of its workforce and taking a restructuring charge of \$125m. Expenditure will be redirected

towards regaining market share. Yet in spite of a sharp fall in American Express's share of the plastic card market since 1990, investors have so far been kept happy by a consistent rise in the company's profits and share

But Mr Harvey Golub, chief executive since 1993, now needs to prove to Wall Street he can improve the company's sluggish revenue growth. Turnover increased by only 2.5 per cent in 1996. American Express must regain the ground it has lost to rival cards, particularly Visa.

"They've been able to achieve close to 15 per cent growth in earnings per share in each quarter for the last 15 quarters without a lot of growth in revenue or market share." says Mr Mark Alpert, credit card industry analyst with Alex Brown, a Wall Street brokerage. "They've done that by cutting costs and buying back stock. To continue, they will need revenue growth."

Mr Golub recognises the challenge. He lists American Express's main problem as "continued market share and margin erosion in several businesses, a cost structure that is still too high and an infrastructure that. in many areas, is not equipped to deal with the rapidly changing competitive environment".

The company's falling share of the US market is at the heart of the problem. Its share of the total volume of US card transactions has slipped from 22.9 per cent in 1990 to 15.9 per cent in the third quarter of last year, according to RAM Research, a Maryland-based company.

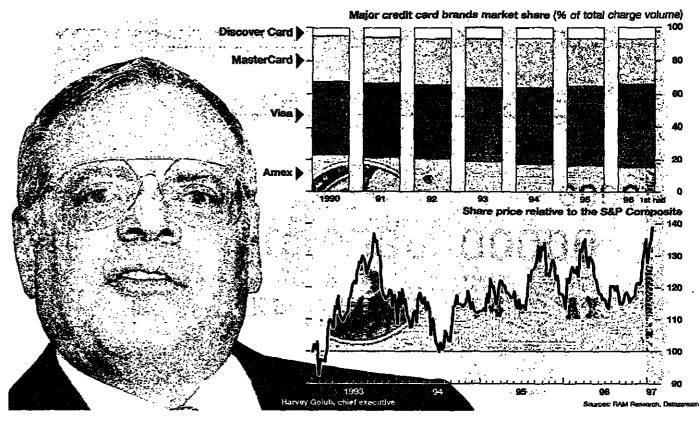
Most of its business went to Visa, which now has almost 10 cards in circulation in the US for every American Express card -268m against only 28.4m. Between 1990 and the third quarter of 1996, Visa's market share grew from 44.7 per cent to 50.4 per cent. The Dean Witter Discover card also made inroads into American Express's business, increasing its market share from 4.9 per cent to 6.8 per cent.

poor performance to the failed marketing policies of the past. Mr Kenneth Chenault, Mr Golub's deputy, goes so far as to say that American Express was "once ranked among the world's most arrogant companies" for "thinking it could have the world its own way. Competition [was] shouldered aside and dismissed'

The company has spent the past 12 months trying to right the situation. It now offers a range of credit cards which allows customers to borrow, in addition to its standard debit card which has to be repaid monthly.

It has also belatedly expanded the range of retailers that take its cards. By June last year, it was accepted by 34 per cent of US supermarkets, compared with less than 1 per cent four years earlier under Mr Jim Robinson, Mr Golub's predecessor.

"We found out the hard way that our attitude was wrong, says Mr Chenault. "We accepted



that even our affluent customers will help achieve "aggressive investments. wanted to use their cards at growth targets", Mr Golub says. K-Mart and Wal-Mart."

American Express has also launched a series of "co-branding" deals with companies such as Sheraton Hotels, Delta Airlines and even the New York Knicks basketball team. Most of the latter's supporters are far removed from the company's traditional target market of wealthy

In the most dramatic reversal of American Express's traditional thinking, Mr Golub last month held exploratory merger talks in conjunction with US banks with Citicorp. Plans do not and other companies. appear to have made much progress. But news that talks had taken place with such a powerful rival left watchers on Wall Street surprised.

The savings from the latest round of cuts announced on Mon- ing points in the Amex card day, in which 3,300 jobs are to go, rewards scheme in return for UK bank, agreed to offer Amex

These initiatives are being indeed, to help facilitate our

change in strategy. Expenditure saved from the exercise will be redeployed in three areas identified by Mr Golub as the most promising sources of revenue growth. These are its financial services arm, its card operations outside the US, and a new project to offer cards

Revenues have already started to grow in the financial services arm. Last year, this benefited market for mutual funds and from aggressive promotions offer-

The division's 1996 profits rose 18 per cent to \$594m, with reveimplemented in support of and, nue up 11.3 per cent to \$4.11bn. It is now competing with estabstrategies for growth. They in no lished firms such as Charles way signal a retrenchment or Schwab, Merrill Lynch and Fidelity Investments.

American Express's ambitions to build overseas and to forge links with US banks have an even more formidable opponent -Visa. American Express must beat its rival both in the market-

place and the US courts. Outside the US, progress has been considerable. The company successfully forced the abandonment of a Visa bylaw that had prohibited its member banks from offering Amex cards in from the exceptionally strong Latin America. In Europe, Visa withdrew the bylaw under pressure from the European Commission. Last month, NatWest, the

protracted. The Justice Department is investigating whether

cards in what the company con-

siders a landmark deal.

But its attempt to forge links with US banks promises to be bank card associations violate US competition rules. The probe is strongly resented by the banks, many of which blame American Express for intrusion on their business.

Last year, both Visa and the smaller MasterCard took legal action to block an innovative American Express programme. This would have allowed Advanta, a Pennsylvania bank, to put spending made on its cards towards the Amex card rewards programme.

Visa complained its trademark was being used on American Express's promotion literature and that its rival was "desperately trying to use Visa as a vehicle to help it survive".

Mr Chenault likened Visa's bar on Amex cards to the construction of the Berlin Wall and said the main reason banks were reluctant to deal with the comhanging over their necks".

Most Wall Street analysts believe that, once the rhetoric dies down, American Express will have its way. Visa's member banks have a powerful incentive to add the Amex card to their portfolios because it would allow them to make more money from their wealthy customers who pay off their debts on time.

Ms Susan Roth, analyst at Donaldson Lufkin & Jenrette, says American Express has laid the groundwork for revenue growth in 1997. She expects the company to regain lost market share.

The Citicorp talks have reminded investors there is an alternative if American Express business does not pick up as expected. But most analysts seem to agree with the cautiously optimistic view of Mr Alpert, the analyst: "Providing revenue growth comes through. Amex will be successful in building shareholder value without an outside part-

A missed match And Citicorp - capitalised at and neither side will discuss the

t would have been quite a deal. Last month, Wall Street was shaken by the revelation that Mr Harvey Golub, American Express chief executive, had held merger talks with Mr John Reed, chief executive of Citicorp, the secondlargest US bank.

ance with Citicorn would have provided a huge new distribution outlet for its charge card across the globe. For Citicorp, it would have presented an opportunity to sell retail banking services to existing American Express customers. The main reason why Mr

For American Express, an alli-

Golub contemplated the deal was probably that Citicorp is the largest and most influential member of the Visa and Master-Card banking associations. It would have been a powerful ally in his battle to persuade them to repeal their rules barring member banks from offering the

Amex card.

\$32.5bn (£19.4bn) - is one of the merger. Mr Reed last week few financial services companies capable of swallowing American Express, currently valued by Wall Street at about \$28bn.

For Mr Reed, American Express could play a central role in his aim of turning Citicorp into a global brand - the Gillette or Procter & Gamble of retail banking. American Express is one of the

few financial services companies which can claim already to have worldwide consumer recognition - and Procter & Gamble has shown it is possible to run more than one international brand. But a deal with American Express would have split the banking industry, with other credit card issuers seeing the

As one analyst said: "There are a lot of Visa and MasterCard issuers who would have a big problem with that union."

Amex link as anti-competitive.

refused to comment on the issue when questioned at a New York press conference. On balance, an acquisition by

anyone else is unlikely. General Electric, the conglomerate which derives about a third of its profits from financial services, is big enough to absorb

the card company. But it is thought by analysts to be unwilling to take on the task. The largest European banks might also be able to fund a deal, but would not provide the inter-national distribution opportuni-

ties offered by Citicorp. As one investment banker put it: "There are maybe a couple of people who could do it, but the likelihood is relatively low. The discussions with Citicorp were initiated by Mr Golub, who saw the opportunity to build a global

branded business. I can't think of any other people who would want to write a cheque that big."

Ginancial Simes

Keep on trucking

■ Honda has just notched up a dubious distinction – Americans like its cars so much, they can't steal enough of them.

The Honda Accord was the most stolen car in the US last year, overtaking a General Motors warborse known as the Oldsmobile Cutlass Supreme. It's some compensation for the Japanese manufacturer, which in recent years has seen the Accord fall behind Ford's Taurus, as the most popular car. that people are actually prepared to pay for.

CCC Information Services, which compiles the stolen cars list, says this is the first time in several years that Japanese cars have topped the rankings. And as thefts are generally reckoned to have more to do with a car's resale value than with the ease with which they can be pinched, Honda executives should perhaps not be too disheartened.

Big Swiss cheese M Switzerland's diplomats are in severe shock. The last time a

Swiss ambassador had to resign was when he was photographed in bed with someone other than his wife. Now Carlo Jagmetti, the Swiss ambassador to the US, roughing-up politicians.

· O B S E R V E has resigned, after upsetting Jewish organisations with his bellicose condemnation of their attacks on little Switzerland. Who'll get the job? Normally there would be a queue of

applicants. After all, it comes with the usual perks chauffeur-driven limo. smart house in Washington, plus swimming nool. David de Purv. former co-chairman of ABB and an ex-diplomat, would be a natural choice but isn't interested. François Nordmann. Swiss ambassador to London, is another possibility. He has an Israeli wife, which should help him when it comes to handling Switzerland's Jewish critics.

But Switzerland's career diplomats are keeping their heads down, and the job seems likely to go to Alfred Defago, 54, the Swiss consul-general in New York. Defago is a close buddy of Flavio Cotti, Switzerland's foreign minister, and only became a diplomat two-and-ahalf years ago after running Switzerland's ministry of culture not normally regarded as a springboard for high office.

Moreover, Defago's early career augured III. A school dropout - his headmaster told him he would be better off as a "street sweeper" – he nevertheless ended up at university, studying history. He then worked as a radio journalist, making a mark by

But cross-examining Swiss politicians is child's play. compared with dealing with the US media. Nevertheless, Defago may well be made of the right stuff. He says that America has changed his life. When he started out on his US odyssey he was an anti-Vietnam war protestor, now his political hero is Richard Nixon.

Fraternally yours

Anatoly Chubais, the dynamic sandy-haired head of Russia's presidential administration, is used to being in hot water. As the minister who conducted the biggest mass privatisation programme in history to date, he antagonised millions of Russia's die-hard communists. But rarely has Chubais

received such a roasting as the one dished out by his older brother, Igor, in yesterday's edition of the Komsomolskaya Pravda newspaper. A philosophy lecturer who lives in a wooden dacha outside Moscow, Igor lambasted Russia's current rulers for their conduct of the Chechen war and their callous indifference to the poor, saying they were no better than their totalitarian Soviet predecessors. He punningly described his brother's privatisation (privatizatsiya) programme as one of prikhvatizatsiya grabbing. And, what's more, he

grumbled that his vounger brother never asked his relatives round.

Liberty and equality baven't been faring too well recently in post-revolutionary Russia, so maybe fraternity was due for a tumble.

In detention

■ Antanas Mockus, Bogota's unconventional mayor previous unorthodox ideas have included paying mime artists to teach traffic discipline - has proposed that the health education curriculum of secondary schools should include teachers taking their teenage students to bars, for practical classes in getting

drunk and having a hangover. Ris idea is that this will teach moderation and reduce Bogota's serious rate of juvenile alcoholism, but Colombian specialists in substance abuse prevention are appalled, with many of the strongest criticisms coming from his own city health department. Mockus dismisses the wave of protest, saying it's just because his proposal is

"musual". He's certainly managed to fuddle some parents. One angry father asked a local radio station: "Will my son be refused a university place if he doesn't pass the getting drunk course?"

100 years ago American Railroads The market for American

rails in London is still lethargic, inactive and almost dead. Even in Wall Street dealings are restricted, and the tone is listless and apathetic. Good judges, however, are of the opinion that this is but the shock wave before the turn of the tide. The flood may be slow in coming, but that it will arrive eventually is a foregone conclusion. The very vastness of the American railroad system, which comprises some 180,000 miles, or about one-half of the total railroad mileage of the world, is a reason for believing that it cannot be permanently neglected by European investors and speculators.

50 years ago Autonomy For Burma

By our Political Correspondent. An agreement providing for the election of a constituent assembly for Burma and the forming of the country's future constitution by this assembly was announced by the Prime Minister in the House of Commons yesterday. The agreement followed conversations between Mr. Clement Atlee, the Prime Minister, and other UK Ministers and a delegation from the Burma Executive Council led by U Aung San.

FINANCIAL TIMES

Wednesday January 29 1997



Army chief wins Chechen poll

Russia welcomes preliminary results of presidential election

By Chrystia Freeland in Dzhokhar-Ghala and John Thornhill in Moscow

14

Moscow yesterday cautiously welcomed the outcome of presidential elections in the breakaway Chechen republic, which appeared to have delivered an easy victory to Mr Aslan Maskhadov, a former Soviet colonel.

Preliminary results showed Mr Maskhadov with more than 60 per cent of the vote, more than double the support for his closest rival, Mr Shamtr Basayev, Chechen's most notorious guerrilla leader.

Mr Maskhadov was the military commander of Chechnya's successful 21-month effort to Kremlin negotiated a ceasefire with Mr Maskhadov last summer and sees him as Chechnya's most moderate leader. Mr Boris Yeltsin, Russia's

president, who is still recu-perating from pneumonia, yesterday discussed the implications of the Chechen elections with senior officials. Mr Sergei Yastrzhembsky, a spokesman for Mr Yeltsin, said

the Kremlin chief was satisfied with the results of the election. The president was confident that "the negotiating process between the federal centre and the newly elected government [of Chechnya] can continue". But Mr Maskhadov immediately made clear he would not

compromise on the conten-

"Already in 1991 this issue was decided," Mr Maskhadov said. speaking at his campaign headquarters in a rubble-strewn section of central Dzhokhar-Ghala, the new name for the Chechen capital, Grozny. "Chechnya is already an independent country, what is important for us now is to

Mr Maskhadov's bargaining position is likely to be strengthened by the electorate's enthusiastic participation in the ballot, the smooth conduct of which won praise from international observers. In an indication of the

underlying tension between

achieve international recogni-

tions including from Moscow."

tious issue of independence. Russia and the Chechen government, Mr Gennady Selezniev, the Communist speaker of the Russian parliament, insisted that "Chechnya was, is and will remain a part of the Russian Federation".

Senior Russian officials suggested it would now be possible to build a stable peace on the basis of the Khasavyurt accords, signed last August by Mr Maskhadov and Mr Alexander Lebed, then secretary of Russia's security council.

But the agreement shelved discussion of Chechnya's constitutional status for five years, leaving an unresolved tension at the heart of future relations between Moscow and Dzhokhar-Ghala

UK's Labour sees delay in Emu entry

By John Kampfner and Edward Mortimer in London

The UK opposition Labour party is advising fellow European Union states that a Labour government would not be in the first wave of European monetary union in 1999. But it says this decision does not undermine the party's claim that it takes a more posi-

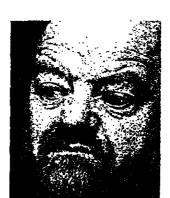
tive approach on Europe than the Conservative government. Mr Robin Cook, Labour's foreign affairs spokesman, said he had discussed the issue with leading figures in European centre-left parties, which are in government in 11 of the other 14 EU nations. The UK assumes the EU presidency in the first half of 1998.

Recent opinion polls put Labour at least 17 points ahead of the Conservatives. A national election must be held by May. Mr Cook would almost certainly be foreign minister Britain's presidency coincides with the vital meetings at which EU governments will determine which countries have met the Maastricht convergence criteria for joining

"Several indicated to me they could see some attractions in having a neutral chairman on single currency issues," Mr Cook said in an interview. "They don't think that would be a problem."

He added: "Labour will take a constructive approach to the EU. Under the Conservatives we are getting the worst of all worlds. We are in a union while constantly sounding as if we wished we weren't."

Mr Cook, known to be sceptical towards Emu, said the Conservative government's decision last week, setting it against early Emu membership, had made it harder for a future Labour government to meet a 1999 entry timetable.



Robin Cook: has rarely hidden

referendum on Emu, and given many other legislative commitments for a first year of office, senior party figures are advising counterparts in other EU capitals that the proswould be slim of finding enough parliamentary With Labour committed to a time for the necessary

bills on changing currencies "I have never understated those difficulties." Mr Cook said. "If anything, they have been made more formidable by last week's statement by the government.' Meanwhile, in another inter-

view with the Financial Times, Mr Kenneth Clarke, the UK's chief finance minister, denied that last week's cabinet statement meant the UK was unlikely to be in the first wave of those joining Emu.
The statement said mone-

tary union was "very unlikely to take place on time on January 1 1999. Mr Clarke said that the single currency went ahead as little as six months later, Britain might well join. "The chances are that it will start in the next parliament", Mr Clarke predicted. "The cabinet has not ruled out joining in the first wave".

> Contrasting views, Page 9 Reality check, Page 12

US stocks up on weak costs | China buys into HK power

Continued from Page 1

year expected to have been around 1 per cent, the figure suggests unit labour costs, a critical determinant of consumer price changes, remain subdued, even after six years of steady economic growth.

The principal factor its course and companies may restraining overall employ- face stronger labour cost presment costs last year was a sures within the next year. small increase in non-wage The consumer confidence by 3.3 per cent in the year, against an increase of 2.9 per cent in 1995. But modest growth in the cost to companies of health insurance and other benefits kept non-wage growth to just 2 per cent.

The weakness of non-wage costs has been a crucial factor in the past few years in helping companies absorb wage increases without having to raise prices. Inflation at the consumer price level has been dormant in spite of continuing pushed unemployment down employment prospects.

Europe today

light rain.

be showery.

It is likely to be overcast and calm in the Benelux and Germany.

Northern Germany will have some

Most of Britain will have sunny periods, but the south will be

mainly overcast. Northern France will be cloudy but southern areas will have a mixture of sunshine and cloud. It will be suriny along the Mediterranean coast. Northeastern Spain will have showers, it will be wet in southern Portugal. Italy will have sunny periods. The

Balkans will have patchy rain or light drizzle. Southern Greece will

southern Turkey but the north will

Europe on Thursday, Later in the

be sunny. It will be sunny in

Five-day forecast

It will be calm over most of

week, low pressure from the Atlantic will bring cloud and rain to

the Iberian peninsula and to

to its lowest level in a decade. Companies have benefited especially from important changes in the nature of healthcare provision that have lowered insurance premiums.

However, there is some evidence that the long decline in non-wage costs may have run troubling indication that the benign condition of the US economy may soon change.

The Conference Board, a private sector research group. said its main overall confidence index rose by 2.6 per cent in January to 116.8, its highest level for seven and a half years.

Consumers were especially positive about their economic condition, largely as a result of rising personal incomes. But they were slightly less bullish growth in demand that has about the future, especially plier, under his mainland

Continued from Page 1

Hong Kong involving mainland companies have raised concerns about the terms of the transactions, analysts said last night the discount paid by Citic Pacific appeared relawill pay HK\$32.66 per share, a discount of 3.1 per cent compared with the closing price of CLP on Monday before trading to be a new agenda rolled out "This seems like a fair

price," said Mr Robert Medd, an analyst at Deutsche Morgan Grenfell in Hong Kong. Others noted that shares in the utility have significantly underperformed the market.

drew parallels with the deal earlier this month in which Mr Li Ka-shing, Hong Kong's most powerful tycoon, restructured his empire to bring Hongkong Electric, the territory's other big electricity supinfrastructure vehicle. "We've

seen the same scenario played out with Hongkong Electric," said Mr Mike Warren, an analyst at Morgan Stanley, referring to the attraction of the utilities' cashflow for main-

seen profits stagnate in the face of declining demand and excess capacity. "There needs The companies said pro-

ceeds of the deal will be used Citic Pacific said, however, that it would keep separate its five existing power projects on Its top management, Mr

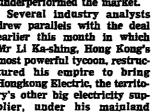
Yung, Mr Henry Fan, managing director, and Mr Vernon Moore, deputy managing director, will sit on CLP's board. Citic Pacific said it would hold its stake for at least three years.

land projects. He pointed to the potential tively modest. The company benefits for CLP, which has

> could be it," said Mr Warren. and elsewhere in the region.

> the mainland.

FT WEATHER GUIDE



THE LEX COLUMN

Hong Kong handover

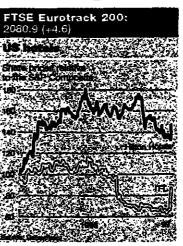
There are another five months to go before Hong Kong is returned to China, but the handover of the colony's monopoly businesses was almost completed yesterday. Last year, Dragonair and Cathay Pacific, Hong Kong's two airlines, sold significant stakes to Chinese interests. A fortnight ago, Hongkong Electric was placed under the control of Mr Li Ka-shing's Chinese investment holding company. And yesterday, the other power supply company, China Light & Power, placed a 20 per cent stake with Citic Pacific, the Mainland-controlled investment company. That leaves Hongkong Telecom as the only remaining monopoly business controlled by a British company.

The CLP transaction is another example of Chinese companies leveraging connections. CLP, controlled by the Kadoorie family, was in a bind. Demand for electricity in Hong Kong is flat, scope for sales into Southern China has fallen with the proliferation of power projects there, and it has failed to complete deals further north. Given Citic's expertise in electricity, and connections, CLP's shares should rise.

Reinforcing Hong Kong's business links with China is good news for the stock market. But it looks less exciting for Citic. It has locked in another minority stake in a business that looks considerably less racy than Citic's premium stock market rating implies. And while the deal will enhance earnings, the only real value to Citic is the dividend stream which will scarcely cover interest costs.

Hilton/ITT

Mr Stephen Bollenbach, Hilton Hotels' chief executive, is a man in hurry. In 11 months, he has paid 3bn for Bally's gaming business, reunited the Hilton brand through a deal with the UK's Ladbroke, and launched an audacious bid for ITT worth \$10.5bv once associated debt is included. But he has had to move quickly. Global brands, marketing and reservation systems provide a significant competitive advantage in hotels, encouraging industrywide consolidation. And restrictions on new developments in the fast growing casino business have fuelled deals. The recent weakness of ITT's shares created an opportunity for Hilton to seek to build both sides of its business; although it will have to raise its initial \$55 The strengthening of Hilton will



encourage other hotel groups to fol-low suit. Marriott has a limited presence outside the US, while Bass's Holiday Inns subsidiary is a weak competitor at the higher end of the market, with its Crown Plaza brand. More deals seem inevitable.

available at the right price. Ladbroke's shares fell yesterday on fears that Hilton will postpone a promised investment in the UK group. But the cost of a 5 per cent stake is piffling in the context of the fit bid and the unity of the Hilton brand is central to its acquisition strategy. Indeed, if Hilton absorbs FTT, the acquisition of Ladbroke would look an easily affordable and perfectly logical mopping

This will raise the value of Gran-

ada's recently-acquired Meridien

hotel business, which is clearly

Siemens is full of contradictions. In November the German conglomerate shocked the stock market by warning that profits would be flat this year. Yesterday it unveiled a sparkling 22 per cent jump in firstquarter orders. Admittedly, half the increase is due to large, long-term projects. Nevertheless, the conjunction of sharply rising orders and static profits points to serious problems. Some of these, such as the price erosion in semiconductors, are not the group's fault. Others, including an expensive domestic cost base, are being tackled by the management as rapidly as German sensibilities allow. But this still leaves the impression that Siemens is stretched across too many industries to compete effectively in all of

The logical solution would be to sell some underperformers. Taken together, Siemens Nixdorf computtogether, Siemans Nixadri computers and the medical equipment division produced profits of just DM80m on capital employed of DM170m in 1996, instead, the group seems to be embarking on a takeover spree. Since December Siemens has agreed purchases worth over DM5bn, principally Switzerland's Electrowatt. But its acquisition record is poor. Nixdorf lost DM2bn in its first three years and both Osram lighting and Rolm, a US telecoms business, have not brought the hoped-for market penetration.

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Longer-term there is huge potential in Siemens. But until greater strategic clarity emerges, there is no reason for investors to buy in.

LucasVarity

If tax were not an issue, there would be nothing wrong with the idea that LucasVarity might in future cut its dividend and instead buy back shares. And for many shareholders, the method by which the company returns cash to them is immaterial. But a recent change in UK taxation rules means that a share buy-back is now less tax efficient for pension funds than divi-dends. So a buy-back wastes value which a special dividend would not.

Moreover, when will investors get the cash? All LucasVarity said yesterday is that it would not consider cutting its payout without at the same time *announcing* a share repurchase programme. As investors in both Ford and General Motors have discovered in the past, the gap between announcement and execution can be a long one. And LucasVarity certainly has to keep a grip on the purse strings. Year end borrowings will be higher than expected at 2500m, suggesting that working capital control at Lucas is still poor. Analysts forecast that the enlarged group will be hard pressed to generate cash in 1997. The notion of saving part or all of its £100m dividend cost this year and delaying any buy-back into next could be

Nor did the rest of yesterday's trading statement bring much comfort. The bulk of the £120m of promised merger cost savings will not impact until 1998 and market conditions remain tough. Despite yesterday's bounce, it is hard to see the shares outperforming.

Additional Lex notes on Railtrack and Energy Group, Page 21

The Leading Edge in Asia Pacific



Sungei Way Holdings Berhad

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Issue Price: 100 per cent,

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ING Barings

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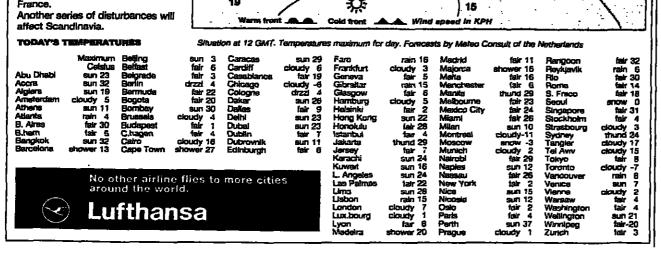
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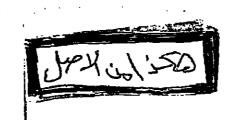


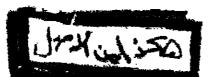
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Wake innovation

FINANCIAL TIMES

COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1997

Wednesday January 29 1997

KYOCERA, world leader in high-texts con continually develops new uses for its technology MYOCERA is also the producer of ECOSYS

German

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in Brief Disney rises 20% **in Hirst quarter**

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Beriand's Elec

Barlsney matched analysts' most optimistic profits to \$1.45n. The growth was driven by theme park attendances and solid results Min and home video sales operations. Page

Signess slips but stands by forecast Signess, the German electronics group, ried a 5 per cent decline in first-quarter net ts to DM#78m (\$300.6m) as semiconductor allis fell, but said it still expected to achieve carnings for the year. Page 19

US issues first index-linked bonds
The US today holds its first auction of indexlinked Treasury bonds, prompting hopes of a ignificant boost for the market. Page 22

forte agrees Viasa rescue plan theria, Spain's national airline, reached agree ment with Venezuelan officials on a rescue plan for Viasa, the partially privatised Venezuelan carrier which suspended operations last week.

Hilton Hotels

Imperial Tob

Hogg Robinson

Hudson Conway

Jardine Matheson

Kimberly-Clark

Luxottica

Merck

Motorola

NatWest Secs

Optus Vision

Phoenix Securi

RJR Nableco

SBC Warburg

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Plan to lift dividends to more than 30 per cent of retained earnings

Novartis set to increase payout

By William Hall in Zurich and Daniel Green in London

Novartis, the world's second biggest pharmaceuticals group, plans to increase its dividends to "more than 30 per cent of retained earnings", said Mr Daniel Vasella, chief executive, yesterday. That compares with a current pay-

out rate of 24-25 per cent. The plan is a response to Novartis' strong balance sheet and the tax implications for shareholders of buying back its own shares, said Mr Vasella in an interview with the

Financial Times. Disclosure of the company's dividend policy is likely to reinforce positive stock market sentiment towards the stock. Novartis bearer shares rose SFr24 to SFr1.612 after the company published sales figures for

Novartis, formed last year from the merger of Basle rivals Ciba and Sandoz, increased the sales of its core life sciences business by 8 per cent to SFr27.6bn (\$20bn) in 1996 but expects its net income for the year will be unchanged at SFr4.2bn, Mr Vasella said that pany, Roche's 1996 sales grew

savings from the merger should be achieveable this year. Next year 80 per cent should be possible, with the rest completed in 1999. About 48 per cent of corporate overheads and about 9 per cent of R&D would be cut.

Sales were boosted by the weakening of the Swiss franc. In local currency terms, growth dropped to 6 per cent. In sales terms. Novartis is now 70 per cent bigger than Roche, which used to be Switzerland's biggest pharmaceuticals comter than Novartis.

BERIALS

In pharmaceuticals, the main battleground for both companies, Roche's sales grew by 13 per cent, to SFr10.5hn, whilst Novartis' sales increased by 9 per cent to SFr12.2bn. Novartis is in the process of spinning-off Ciba speciality chemicals. Sales of its remaining life sciences business grew by 6 per cent in local currency terms. On the same basis, healthcare sales, which account for 59 per cent of the total, rose 7 per cent, Agribusiness sales (27.8 per cent, and nutrition sales

Mr Raymund Breu, Novertis' finance director, said that of the overall 6 per cent growth in the group's core life sciences business, 1 per cent reflected price increases and 5 per cent was volume growth. He expected growth would accelerate in 1997 as new products went on sale.

The group's largest selling drug, Sandimmun/Neoral, used to prevent rejection of transplanted organs, continues to show double-digit growth.

By Peter Marsh Germany's biggest maker of roller bearings has announced a switch in its investment programme away from Europe to reflect the greater opportuni-

> North America. FAG Kugelfischer is planning to invest DM780m the end of 1999, nearly double the total for the three years hetween 1994-1998.

ties for growth in Asia and

Of the plan's total investment, 55 per cent will be spent on increasing outputs from new and existing plants in Asia and North America, and only 45 per cent on the company's factories in Germany and the rest of western Europe.

The programme marks a big change in the investment profile of Kugelfischer, which is Europe's biggest bearings maker after SKF of Sweden. Until now Europe has received most of the company's spending on investment. In recent years, its German plants alone have taken up to two-thirds of the total investment spend.

Mr Peter-Jurgen Kreher, chairman and chief executive of Kugelfischer, said the programme marked a change of emphasis for the company whose products are used in a variety of industries including automotive, railway vehicles, machine tools and aircraft.

He said that increases in worldwide demand for bearings was likely to continue at the historical average rate of around 2 to 3 per cent a year, but he saw higher growth rates for his company outside Europe. "We must follow the market and we must produce where the products are needed," he said.

Last year Kugelfischer had sales of DM3bn, with net income of DM100m, according to preliminary estimates released by the company. Of the total sales, 53 per cent came from the whole of western Europe with Germany accounting for about half of this. The company is projecting that sales from western Europe will decline to 49 per cent of the total by 1999. It believes sales in Asia will grow from 12 per cent of the total in 1996 to 15 per cent in

For its investment programme between 1997 and 1999, Germany will take just 33 per cent of the total, with plants elsewhere in western Europe, mainly Portugal and Lex, Page 14 Austria, taking 12 per cent.

Israel to sell 23% of its state telecoms holding

The Israeli government plans to sell a 23 per cent stake in Bezeq, the state-owned telecommunications network, by the end of 1997 and reduce its stake to zero "as soon as possible", Mrs Limor Livnat, communications minister, said yes-

She conceded that plans to press ahead with an international public offering of Bezeq had been held up by a longrunning dispute between the government and Cable & Wireless, the UK telecoms group. Mrs Livnat, a champion of

liberalisation in Mr Benjamin Netanyahu's conservative Likud-led coalition, said the dispute over how much Cable & Wireless would be allowed to increase its stake of 10 per cent could be resolved in "two

ment to prepare a public offering of 23 per cent to be placed most probably in New York, London and Tel Aviv. It would take another "two or three years" to sell the remainder. Analysts said yesterday that the stake was worth \$415m at

current market prices. The government holds 76 per cent of Bezeq, perceived as one of the state's prized assets. Bezeq sales rose 3.8 per cent to Shk5.9bn (\$1.8bn) over the first nine months of 1996 compared to Shk5.7bn over the same period the previous year. Net profits rose 3.2 per cent, from

Shk440m to Sbk454m.

Cable & Wireless has been 10 per cent stake in Bezeg. which would enable the company to record Bezeo's results in its consolidated balance sheet. But Mrs Livnat warned she would "see a problem in allowing Cable & Wireless, or any other company, foreign or Israeli, to have a stake of more

Mrs Livnat's desire to restrict holdings by one company in Bezeq to 10 per cent stems from her belief that for certain sectors of the economy, most notably telecommunications, the government's commitment to liberalisation and privatisation has to be reconciled with its security and national interests.

"I want to see an open market and I very much support such a policy for the telecommunications sector," said Mrs Livnat, who is determined to end Bezeq's monopoly in the domestic market following a decision late last year to open trying for months to double its up international services to

It is still unclear what kind of compromise the government and Cable & Wireless will make as talks continued yesterday in Israel. Mrs Livnat suggested both parties might form a new company, each holding 10 per cent of Bezeq.



Israeli communications minister Limor Livnat said her government wanted to cut its stake in Bezeq to zero Peters But

spe added that this would be agree the way for the govern-Lucas Varity looks into share buy-backs

By Tim Burt

LucasVarity, the Anglo-US engineering group, yesterday raised the prospect of reducing dividend payments and rewarding investors instead with share buy-backs.

The company, created by iast year's \$5.34bn merger of Varity Corporation of the US and Lucas Industries, said it would first discuss such a move with leading institutional shareholders. If it did take such a decision, Lucas-Varity would become one of

to shift away from using dividend payments to return value Mr Neil Arnold, finance

director, said it was a system commonly used in the US by Varity, which had not paid an ordinary dividend for several

"Varity has a track record of share repurchases, and it is something we would consider. But it is not a policy we would embark on lightly," said Mr Arnold, formerly chief financial officer of Varity.

Lucas last year returned the first UK quoted companies £62m (\$103.5m) to shareholders

in dividend payments, whereas Varity spent \$87.3m repurchasing 2.43m shares. Some institutional investors,

however, expressed concern at the idea, warning that share repurchases could prevent UK pension funds from claiming tax credits available on dividend payments.

Analysts also questioned how the company could contemplate buy-backs given its announcement that gearing would be around 70 per cent for the year to January 31, equivalent to borrowings of about \$835m (£500m).

Nevertheless, shares in LucasVarity yesterday rose 14%p to 220p (\$3.53) following a trading update which - while warning of short-term market weakness - sought to reassure investors in the longer term.

The company, a leading international manufacturer of automotive and aerospace components, predicted it would achieve "significant overall growth" in 1997.

Mr Arnold said North American and European automotive markets had held up well in the last quarter. He also pointed out that the aerospace

Arnold said the group planned to cut working capital by £140m in the next two years. The enlarged company is due to report its maiden figures next month.

division was enjoying healthy

One leading engineering

analyst said: "It was reassur-

ing to see the promise of

improved margins and cash-

Those margins are expected

to be enhanced this year by

£40m of cost savings - and Mr

flow remain in place."

orders from aircraft makers.

Barry Riley

US equities survive further round against bonds Yesterday the Treasury long bond yield fell back sharply,



US bonds and stocks stormed back yesterday on some marginally good. payroll cost

data, encouraging the markets to believe that Armageddon - in the shape of a rise in short-term interest rates - has been deferred. though not cancelled. Somewhere in hostile Euro-

pean territory, therefore, this is turning into a good week for Dean Witter's road show: if it's Wednesday it must be, er, Paris.

When Dean Witter last toured Europe rather more than a year ago with a message about the great American revival Europe scoffed, and

clearly has the world's strongest advanced economy, but the message is still being received sceptically. Value-conscious European

investors have been more willing to bet speculatively on a cyclical recovery in Japan than on a continuation of the established US trend. Alas, since the middle of 1996 Wall Street has outperformed the Tokyo market in dollar terms by 60 per cent. With annual GDP growth

likely to emerge at perhaps 2.5 per cent for calendar 1996, the US is far from displaying an obvious economic miracle. But its labour market works better than those in most other countries. Its corporate sector, too, has decisively regained its confidence during the 1990s.

Earnings per share for the S & P 500 index have doubled in five years, a performance not expected by European investors. This leaves pre-tax profit margins at a 15-year - but nevertheless, argues Dean Witter, well below the levels typical of the

lished on Friday will be well over 4 per cent. That could yet 1960s and the 1970s. prove to be another temporary European investors have been more willing to bet on a recovery in Japan than on a continuation of the US trend

But now that supporting fundamentals such as dividend yield and book net worth have heen left behind, the vulnerability to any future earnings disappointments must be substantial. Thefinancial framework could become less benign

surge, as in the second quarter, but if the economy continues to look strong during January and February the Federal Reserve will surely be forced

after threatening the 7 per

cent level. Yet economists are

projecting that the fourth

quarter annualised US real

GDP growth rate to be pub-

rates in the spring by 25 basis Equities ignored the rise of

to raise short-term interest

bond yield in the two months up to Monday this week. Although yesterday brought some relief, in yield terms Treasuries are rated roughly on a par with the government bonds of countries like Spain,

Sweden, Canada and Ireland.

It is also worth thinking

about the implications of today's auction of 10-year inflation-indexed Treasury notes. The market has been expecting the real yield to be 3.5 per cent, much in line with the 3.6 per cent available in the long- promising Europe. The Dow established index-linked UK gilt sector.

In the UK real gilt yield has normally put a floor under the All-Share index trailing dividend yield, now also 8.6 per cent. In the long run, dividend growth is expected to be about

inflation, but equities are riskier and usually offer a vield

With the trailing S&P dividend yield down to 1.7 per cent the arithmetic is hard to apply in the US, but there is a reminder that when the US earnings bonanza runs out of steam equities there will have to justify themselves against a new low risk benchmark for real financial assets.

That earnings uptrend has some way to go. Dean Witter is has another 10 per cent in it, and the strength of the dollar is inflicting extra pain on underweight international investors.

But battered portfolio managers in Europe are still not ready to capitulate.

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COMPANIES AND FINANCE: THE AMERICAS

US drugs groups show good growth Disney

By Tracy Corrigan

Strong sales in their home market and a spate of successful new drugs helped US pharmaceuticals companies outpace the earnings growth of most other sectors of US industry last year.

Despite only modest

growth in the US economy, most US pharmaceuticals groups managed double-digit earnings growth, compared with an average for US companies of about 8 per cent. At Schering-Plough, for

example. US sales of pharmaceuticals rose 23 per cent, growth of 13 per cent - or 14 per cent when foreign exchange is excluded.

The strong performance of US drugs companies in their domestic market is likely to put to rest concerns about the proliferation of managed care and its impact on drug prices, analysts said. As managed care compa-

nies – large-scale providers of healthcare known for keeping a tight rein on costs gained an increasingly large share of the US healthcare market, many analysts thought their greater clout

US pharmaceuticals companies: 1996 results

Сопрепу	Net Income ¹ Sra	% change from 1995	1996 earnings per share	% change from 1995
American Home Polis	1,883,4	+1217.10	200	- F92
Bristol-Myers Squibb	2,850.0	+57.3	. 5.68 ´	+58.7
Johnson & Johnson	2,887.0	+201		7187
Eli Liliy ^a	1,623.5	+16.6	2.78	+20.9
MARKET MARKET DE C	3,887.3	198	320	190
Pfizer	1,929.0	+23.0	2.99	+20.0
Schering-Plough	12128	+37.0	3.30	138.0
Warner-Lambert	786.5	+ 6.4	2.90	5.8

to reduce drug prices. In advent of new drugs on the

HKS, which specialises in pharmaceutical stocks.

While managed care comnanies were given some discount on list prices, it was only enough to mitigate the price increase, not to eradicate it. With little sign of increasing pressure from the have however been widely managed care companies. Mr criticised for cost-cutting in Shah expects list prices to rise 4-6 per cent in 1997.

counting of list prices to managed care companies has would allow them to force been more than balanced by which drove stronger profits pharmaceuticals companies increased sales volume. The were cholesterol-reducing

fact, list prices of drugs in market has coincided with the US rose 5 per cent last the addition of a growing year, according to Mr number of patients on Medi-Hemant Shah, an analyst at care and Medicaid - government health programmes -

to the managed care sector. Because managed care cover includes the cost of drugs, this has increased the number of patients with access to drugs. Though managed care companies some areas, such as shorter hospital stays, this has not Furthermore, any dis- had a negative impact on the amount of drugs used.

Among the new products record-breaking 42 days. But looking ahead, the analyst said.

drugs and Aids drugs. Merck had both. Zocor and Mevacor between them held over 40 per cent of the world-wide cholesterol lowering market, but Merck estimates that less than 30 per cent of patients with coronary disease receive cholesterol-lowering therapy.

Vasotec, Merck's angiotensin converting enzyme inhibitor for reducing high blood pressure also showed increased sales. Crixivan, Merck's protease inhibitor for the treatment of HIV, the virus that may lead to aids. was cleared for marketing by the US authorities in a

pipelines at the different US pharmaceuticals companies are of variable quality, analvsts said.

Merck and Pfizer still bave "a pretty attractive pipeline", according to Mr Shah. Pfizer, for example, has filed for approval on Trovan, a broad-spectrum quinolone antibiotic, which it hopes to launch by the end of the year or in early 1998. Its other imminent launches are Aricept, a treatment for Alzheimer's, and Lipitor, for elevated cholesterol levels.

Warner-Lambert has two promising drugs due to come to market this year, but beyond that there is some cause for concern, analysts said. The two new products are cholesterol reducer Lipitor and the diabetes treatment Rezulin (though the latter has yet to be approved).

Generally, US pharmaceuticals companies continue to increase their spending on research and development, though the rate of increase has slowed.

However as well as cutting costs in other areas, companies have become more successful at streamlining their R&D effort to concentrate on more promising projects, one

posts strong advance

By Christopher Parkes in Los Angeles

the US entertainment congiomerate, rose 20 per cent to \$1.4bn in the first quarter, to the end of December, on the strength of record theme park attendances and solid results from film and home video sales.

Earnings per share of 98 cents matched the most optimistic analysts' forecasts, although the recently acquired ABC television operations laboured to keep pace with other divisions during the quarter.

In spite of strong growth at ESPN, the sports TV network, broadcasting revenues rose only 4 per cent, as ABC slipped in the ratings. Operating income was up 38 per cent at \$470m following reductions in programme amortisation and other costs attributable to the acquisition of Capital Cities/ABC.

Including a one-off gain of \$135m from the sale of a Los Angeles TV station, net income and earnings per share increased 33 per cent to \$749m and \$1.09, respectively.

Creative content divisions. including film, video and retailing, reported operating income up 10 per cent to \$719m, on revenues which rose only 5 per cent to

Chips Ahoy! lines and the new Air \$3.2bn. The company stressed the "difficult" comparisons with the previous year's quarter when Toy Story was on release in the US and the home video version of The Lion King was shipped into

foreign markets. Theme park revenues rose 16 per cent during the quarter to \$1.1bn, and operating income was up 21 per cent at \$238m. Main gains were made at Walt Disney World in Florida, which celebrated its 25th anniversary.

Separately, Disney said it planned to review the diverse publishing interests acquired along with ABC. The group has been expected to sell these businesses.

The company also announced a link with Comcast, a leading cable-TV provider, to buy a majority holding in E! Entertainment Television from Time Warner. The service, which features personalities and show business gossip, reaches 42m subscribers.

Cities/ABC purchase was not completed until February last year, yesterday's results were prepared on a pro forma basis to represent the impact of the purchase and enhance comparability.

The state of the s

AMERICAS NEWS DIGEST

MCI ahead 7% in final quarter

MCI, the US telecommunications company which last year agreed to be bought by British Telecommunications, registered a slowdown in its core long-distance business during the final three months of last year. A 7 per cent rise in net income to \$303m, or 44 cents a share, was in line with Wall Street's expectations. Revenues rose 15 per cent to \$4.8bn

The slower growth reflected the severe competition that has come in recent months from so-called dial-around services, which offer big discounts on long-distance calls in the US. MCI said the slowdown also reflected its decision to focus more on business and the most

profitable residential customers. The company registered an 8 per cent advance in call volumes in the quarter compared with the year before. During the preceding three months, calling volumes had risen 11 per cent, while they were up 13 per cent for 1996

In revenue terms, MCI said its core long-distance operations registered a 10 per cent rise in the fourth quarter, to \$4.3bn, and a 12 per cent rise for 1996 as a whole, to \$16.8bn. After-tax profits for 1996 were \$1.2bn, or \$1.73 a share. That compares with \$548m, or 80 cents, the year before, when MCI took a one-off charge of 75 cents a Richard Waters, New York

NASD names new president:

The National Association of Securities Dealers, the parent of the Nasdag stock market, has named Mr Frank Zarb as its new president and chief executive officer, effective from February 24. The Nasdag market has more than 5,500 listed companies and is the most actively traded US stock market, in terms of share volume.

Mr Zarb, the front-runner for the job, was previously chairman and chief executive officer of Alexander & Alexander Services, a consultancy which was recently acquired by Aon, the insurance services company. He is a former chairman and chief executive officer of Smith Barney, the brokerage and investment banking subsidiary of Travelers.

Mr Zarb will have overall responsibility for all areas under the NASD umbrella, including the Nasdaq market and the regulatory arm of the organisation, created after ccusations of price-fixing.

He replaces Mr Joseph Hardiman, who retires at the end of the month after nearly 10 years in the job. Tracy Corrigan, New York

Canadian Pacific recovers

Strong oil and gas prices, a rising economy and railrestructuring brought a dramatic turnround at Canadian Pacific in 1996. Net income was C\$829.1m (US\$616.3m) or C\$2.41 a share, against a loss of C\$823.5m, or C\$2.40, after a restructuring charge totalling C\$1.1bn. Revenues were ahead 14 per cent at C\$8.7bn.

The fourth quarter was strong and all five business sectors improved, particularly energy, shipping, coal and hotels. "We're working hard to build on this momentum in 1997," said Mr David O'Brien, president.

Robert Gibbens, Montreal

BCE posts 43% rise for year.

BCE, the telecommunications group which is Canada's higgest company, posted a 48 per cent gain in fourth-quarter earnings to C\$429m (US\$319m), or C\$1.29 a share, from C\$289m, or 86 cents, a year earlier on revenues ahead 14 per cent at C\$8.5bn. The latest period includes net special gains of 12 cents a share.

For the 1996 year BCE earned C\$1.15bn, or C\$3.40 a share, up 43 per cent from C\$782, or C\$2.23, on a 14 per cent increase in revenues to C\$28bn. The latest period included net special gains of 39 cents a share. Return on equity was 10.6 per cent, up from 7 per cent, but BCE said this was inadequate to sustain its growth. Bell Canada, BCE's wholly-owned telephone utility,

earnings, improving its performance sharply with heavy restructuring. Growth in local and access revenues outpaced the impact of lower long-distance prices. Northern Telecom's contribution was sharply higher and BCE Mobile, Bell Canada International and the directories

RJR Nabisco lifted by US food sales

By Richard Tomkins in New York

strong performance from Nabisco's domestic food business helped RJR Nabisco, the US tobacco and food group, report a 20 per cent increase in underlying net profits to \$248m for the fourth quarter, the company reported yesterday.

The international tobacco operations also did well, but the domestic side of the tobacco business continued to suffer the effects of competition from Philip Morris. which has lifted its market share.

Fully diluted earnings per share rose 22 per cent to 73 cents before one-time charges, slightly ahead of the expected 71 cents.

By Richard Waters

The stock market value of

Procter & Gamble jumped

5 per cent yesterday morn-

ing as the US consumer

products giant surprised

Wall Street with after-tax

earnings of \$944m, or \$1.35 a

share, for the three months

a 14 per cent advance from

the year before, topping

The earnings represented currency movements.

market expectations of \$1.32 profit margin by 1.7 percent-

reducing costs during a due in part to lower com-

in New York

On the tobacco side, domestic vol-Select and low-price cigarettes.

crept ahead 2 per cent to \$305m on unchanged sales of \$1.13bn because the Camel and Doral brands gained market share and a higher proportion of cigarettes sold were full-price

International tobacco had another strong quarter, with volumes up 10 per cent and sales ahead 19 per cent to \$1.01bn. Operating profits rose 10

The maker of Tide soap Pepper, chairman. It also

pies said its sales for the and standardisation across

by a negative effect from main brands. One aspect of

pany lifted its operating served to depress sales.

quarter, the second of its the company", he added.

reflected "efforts to reduce

inventory levels, which has

Mr Pepper said the compa-

ume growth". This would

RJR Nabisco said highlights of the restructuring. The biscuit business umes fell 3 per cent in the fourth international gains included strong quarter, reflecting heavy promot- volume growth for Camel, Winston ional activity in full-price cigarettes and Salem, particularly the perforand declines in sales of Winston mance of new Camel Lights; continuing gains for Pianissimo prod-US operating profits, however, ucts in Japan; and volume gains in the former Soviet Union and central

> Nabisco, the separately-quoted food subsidiary, reported a 30 per cent jump in net profits to \$151m excluding restructuring fully recovered through pricing, and charges, mainly because of a strong performance from the domes-

tic business Domestic profits benefited from a

The company blamed higher commodity costs which could not be the slower-than-expected integration of several acquisitions.

For the full year, RJR Nabisco increased net income by an underper cent to \$227m excluding a re- refocusing on core brands and the lying 5 per cent to \$898m. Earnings structuring charge in the prior year. savings that stemmed from the per share rose 14 per cent to \$2.62.

did particularly well, with good per-

formances from the Oreo, Ritz and

Nabisco's international food busi-

ness, however, saw a 7 per cent decline in underlying operating prof-

its from \$84m to \$74m in spite of a 9

per cent increase in sales to \$733m.

Procter & Gamble beats expectations

modity prices, said Mr John come from new production capacity and product initiaincurred a post-tax loss of tives, as well as the overhaul \$1.1bn on sales of \$3.3bn. costs through simplification of its marketing initiatives. The company was held back The company's shares rose in the latest quarter by a 3 per cent decline in sales \$6 yesterday morning in P&G is in the middle of an New York, to \$113%. from its paper tissue busi-1 per cent from a year overhaul of its product lines • Shares in Kimberly Clark ness, and a 21 per cent fall in pefore, to \$9.1bn. and marketing efforts, aimed lost ground as it failed to sales of newsprint. The That reflected volume at reducing waste and match expectations with its declines reflected lower self-

growth of 2 per cent, offset increasing the impact of its fourth-quarter earnings. The ing prices and the disposal of household products comthat has involved cutting pany, which acquired Scott Mr Wayne Sanders, chair-Paper last year, reported net man, called 1996 "an important transitional period for income of \$347m, or \$1.23 a share, on sales of \$3.3bn. The the company". Merging with a share, and pointed to age points to 16.6 per cent, ny's priority "remains to company's shares slipped Scott Paper had produced the company's success in however. That advance was accelerate sales and unit vol- \$1% to \$98% in early trading. savings of more than \$250m, The year before, after a big

SCHRODER INTERNATIONAL SELECTION FUND

powder, Head & Shoulders

shampoo and Pampers nap-

financial year, were up only

The Cincinatti-based com-

before, to \$9.1bn.

Société d'investissement à capital variable Registered office: 5 rue Höhenhof, L-1736 Senningerberg

NOTICE TO SHAREHOLDERS

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

of Schroder International Selection Fund (the "company") will be held at the registered office at 5, rue Höhenhof, L-1736 Senningerberg at 11.00 a.m. on Friday 14th February, 1997, for the purpose of considering and voting upon the following

1. Amendment of Article 16 of the articles of incorporation of the company replacing at the end of the text of the 22nd line of this article the full stop by a comma, and adding the following text:

"other than in those classes of share where pursuant to Danish real-interest-law (paragraph 3 e, section 1) the investment policy disclosed in the prospectus prohibits the class of share from investing in bonds, convertible bonds and collective investment undertakings of the open-ended type."

Amendment of Article 16 of the articles of incorporation of the company, replacing at the end of the text of the 51st line of this article the full stop by a comma, and adding the following text: "other than in classes of share where pursuant to the investment policy

declared in the prospectus, the class of share is prohibited from investing in collective investment undertakings of the open-ended type."

3. Amendment of Article 16 of the articles of incorporation of the company. deleting and replacing the two last paragraphs with the following text "In any single class the aggregate amount of cash and underlying value of hedging instruments must not exceed twenty five percent of the remaining net

In these classes the aggregate value of the commitments relating to the use of acial instruments may not exceed the estimated market value of the assets

4. Any other business

Resolution on the items of the agenda of the Extraordinary General Meeting will require a quorum of 50 per cent, and a majority of 3/4 shareholders present or represented at the meeting voting in favour.

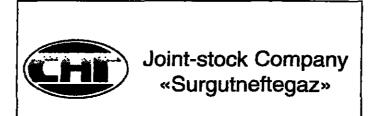
Registered shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the registered office of the company to arrive no later than 10 February 1997.

In order to take part in the meeting of 14 February 1997, the owners of bearer shares must deposit their shares five business days before the meeting at the registered office of the company as set out above, or with:

Securities Department stment Management Limited

33 Gutter Lane London EC2V 8AS

Separate proxy forms will be sent to registered shareholders with a copy of this notice and can be obtained by bearer shareholders from the registered office of the



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For information please contact Kenneth A. Lopian (212) 815-2084 in New York or Michael C. McAuliffe (0171) 322-6336 in London.

E-Mail: ADR@BankofNY.com

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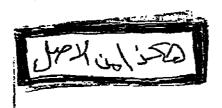
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t the beginning of 1996 who would have thought that the Russian market (ROS Index) could produce a return of 126% in US dollar terms by the end of the year? Not many. With all its tribulations, Russia has emerged to become a market

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Hilton plays for the big win

The US group's proposed merger with ITT would create the world's largest operator in the hotels and casinos business

for ITT, its biggest US rival in the hotel and casino business, shows that Mr Stephen Bollenbach has lost none of his appetite for the big deal.

The bid is the second Mr Bollenbach has led since taking over as Hilton Hotels chief executive a year ago. Last month, the company completed a \$3bn acquisition of the Bally Entertainment casino group, turning Hilton Hotels into the world's biggest gambling company.

Immediately before joining Hilton Hotels, Mr Bollenbach was chief financial officer of Walt Disney, where he engineered another megadeal: hotels operate worldwide, Walt Disney's \$19bn takeover of Capital Cities/ABC, one of the world's biggest

If Hilton Hotels' bid for ITT succeeds, it will create the world's biggest hotel and gambling group, linking the Hilton chain in the US with the Sheraton chain worldwide and joining the two companies' extensive casino interests. ITT was yesterday considering its response.

At present, Hilton Hotels owns, manages or franchises 240 hotels with nearly 100,000 rooms. These include

ilton Hotels' \$6.5bn they exclude the international Hilton hotels jointly.
hostile takeover bid tional Hilton hotel chain, While Hilton Hotels ha which is owned by the UK's

Ladbroke group.
On the gambling side, Hilton Hotels has 16 casinos with 900,000 sq ft of gambling space. Most of them are in Las Vegas and Atlantic City, but it has riverboat casinos in Missouri and Louisiana, and it also owns or part-owns casinos in Canada, Australia, Uruguay and

ITT, which became a leisure company at the end of 1995 after spinning off its financial and industrial operations, has 415 hotels with 130,000 rooms. Unlike the Hilton chain, the ITT's mainly under the Sheraton

ITT greatly extended its gambling interests in 1995 with the acquisition of the Caesars World casino company. It now has 14 casinos with 320,000 sq ft of gambling space, mainly in Las Vegas and Atlantic City. Hilton Hotels' bid for ITT

caps a year of hectic activity since Mr Bollenbach's arrival last February. As well as acquiring Bally Entertainment, the company has spent about \$500m on hotel real estate, and the Hilton hotel chain in the last August it reached US and 10 Conrad Interna- a deal with Ladbroke to tional hotels abroad: but market the US and interna-

While Hilton Hotels has been in the ascendant, ITT has been struggling. Poor results from its casino operations and the cost of servicing its heavy debt have hit profitability, and until Monday night, the shares had been trading well below their level of \$48% at the spin-off more than a year

"ilton Hotels' bid is clearly aimed at tak-ing advantage of \$55 a share, it represents a premium of 29 per cent to ITT's official closing price of \$42% on Monday.

Hilton Hotels argues that the deal makes strategic sense. The hotel industry is currently enjoying an upturn, with room rates and occupancy levels running high and little new capacity coming on to the market: so Hilton Hotels wants to take advantage of that by expanding its portfolio of hotel

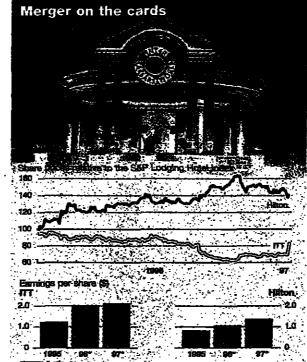
Mr Bollenbach is particularly keen to get hold of the 70 or so Sheraton properties that ITT owns or part-owns. These would probably be converted to Hilton hotels. while Sheraton's franchised operations and the Sheraton name would be licensed to HFS, a US franchising com- of Yellow Page telephone per share from the start. The

Howard Johnson and Davs

Hilton Hotels also wants to acquire ITT's casinos because the US gambling industry, after going through a big expansion, is consolidating. As the process continues, the biggest companies will thrive because they will be able to spread their fixed costs over the largest number of units.

If the acquisition goes ahead. Mr Bollenbach says ITT's weak stock price. At he wants to sit down with ITT's management and discuss its large capital spending programme, amounting to \$3bn on the cambling side and more than \$1bn on hotels. "These are just enormous amounts of money. and we would like to see if we can find ways to spend less and accomplish the same earnings goals," Mr Bollenbach said yesterday. Mr Bollenbach has also

made clear he will seek a buyer for ITT's entertainment and other interests. comprising a 50 per cent stake in New York's Madison Square Garden entertainment complex, a 50 per cent stake in WBIS+. a 24-hour financial, sports and entertainment television station, and ITT World Directories, a publisher



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directories outside the US. Hilton Hotels says a merger would produce cost savings of \$100m a year through economies of scale, and would add to earnings

market appeared ready to believe it: yesterday, Hilton Hotels' shares were up \$3 at \$28¼, a rise of 12 per cent.

Richard Tomkins

Strikes and launch costs push GM into red

By Richard Waters in New York

The strikes at General Motors' assembly plants in North America last autumn wiped \$700m off its after-tax profits for the final three months of the year, the US carmaker said yesterday.

When added to the costs of launching new vehicles in its home market, the strikes threw GM's North American operations back into a loss for the quarter.

The news had been expected after recent statements from the company. It marks a stumble in GM's fltful

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Increase in underground gold production boosts profit

DURBAN ROODEPOORT

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Grade improvement supports return to profits

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Cash operating profit/(loss Cash profit/(loss)

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Cash operating profit Cash profit

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FINANCIAL RESULTS (R000)

DEVELOPMENT RESULTS

return to sustained profit-American business.

GM's North American operation lost \$124m on sales of \$24bn in the final quarter, compared with net income of \$603m on sales of \$26bn in fourth quarter 1995. Hit by the strikes, its share of the US new vehicle market tum-31.2 per cent.

the picture is worse, with a pre-tax loss in North America of \$118m against a profit of \$656m the year before. Nevertheless, Wall Street

carmakers this year.

cent since a new US labour contract was concluded last

nal on Monday by declaring bled from 36.1 per cent to a dividend increase and a \$2.5bn share buy-back. It can Leaving aside a tax credit, pay these out of its excess reserves of cash.

remains generally confident

RANDG

Quarter 6 Months to 30/9/96 31/12/96

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SUMMARY OF GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 DECEMBER 1996

It has lifted the company's

The company's board sent

GM reported operating cash flow of \$18.7bn for the year, compared with \$16.5bn

MINES LIMITED

Profit up thanks to underground gold production rise.

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Quarter 31/12/96

wery of previous two quarters sustained. Shareholders are a bonus issue of 15 new fully paid-up shares for every 100

Quarter 31/12/96

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DEVELOPMENT RESULTS

for 1995. It added \$2.5bn to its cash \$8.9bn. However, the com-

that GM will show the great- pile in the final quarter, in ability in its core North est improvement among US spite of the strikes. Mr Jack Smith, chairman, said: "This shows we can generate sigshares by more than 20 per nificant cash - even at lower production levels."

GM's full-year results were also held back by the strikes. The full after-tax cost of the a cautiously optimistic sig- labour unrest was \$1.2bn, the company said.

profits in its home market of \$1.2bn, compared with \$2.4bn in 1995. Outside North America,

net income for the quarter fell by \$145m to \$353m while sales grew 6 per cent to

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Quarter 6 Months to 30/9/96 31/12/96

Quarter 6 Months to 30/9/96 31/12/96

tax benefit in the 1995 period. The carmaker's overall

results included contribu-

tions from its Hughes Electronics and financial services unit and some other businesses that have been GM reported net income

That left it with post-tax from all its continuing operations for the quarter of \$786m, or 92 cents a share. compared with \$1.9bn, or

\$1.98, the year before. For the year as a whole, GM reported net income of just under \$5bn, or \$6.06 a pared with likely losses at share, on sales of \$164bn. For Ford and Rover.

net income of \$6.9bn, or \$7.21, on sales of \$160bn. Vauxhall Motors, the UK subsidiary of General Motors, raised pre-tax profits

from £2.5m in 1995 to £10m

(\$16.2m) last year, on prelim-

inary unaudited figures. However, the company warned the results remained insufficient to guarantee long-term investment.

Analysts said Vauxhall's figures could be seen as satisfactory in view of the cut-throat competition in the UK car market, and com-

Investors 'lost at least SKr55m in Fairbank'

By Davrell Roberts Tien in Stockholm and Clay Harris in London

Customers of Fairbank, a high-risk currency trading scheme, have lost at least SKr55m (\$8m), it emerged yesterday at a bankruptcy hearing for an associated Swedish company.

Mr Dannis Cheung, director of Currency Exchange established. Stockholm, failed to attend the hearing. The court was told he was taken ill with boarding a flight at London's Heathrow airport on Monday night. He was taken to hospital but later discharged, according to a fax signed by

Mrs Cheung. Through its local offshoots, Fairbank targeted ethnic Chinese investors in Sweden before press expoprompted it to close in citizen, previously had run London." Pagoda, a currency scheme being investigated by the UK Serious Fraud Office over alleged misuse of \$7.5m in

investors' funds. The Swedish investigation into Mr Cheung's companies has been frustrated by a lack of information about the company which handled funds after they were transferred from Sweden. Fairbank Currency Exchange charge of the investigation, LLC, registered in the US said she had requested perstate of Delaware, has applied to the High Court in but had not yet received London to be wound up. The clearance from the UK.

petition is due to be heard on March 5.

Vinge, the Swedish law firm acting as receiver for CES and a sister company in Gothenburg, has so far been refused information about accounts in National Westminster Bank in London because the legal connection between the Swedish and US companies had not been

Investors were led to believe that Mr Cheung's companies were part of an gastroenteritis while entity called Fairbank Currency Exchange Group, but investigators have found no legal evidence that such an umbrella company exists.

Ms Elisabet Fura-Sandstrom, in charge of the bankruptcy proceeding at Vinge. said she had talked to Mr Cheung for two hours on Monday. She said: "When I sure and the launch of an asked him what I should say official investigation to the clients about their accounts, he was vague and December. Mr Cheung, a UK referred to his lawyers in

Mr Cheung's UK lawyer said he did not know of his iliness or failure to appear yesterday until told by the

Financial Times. Police in Stockholm this week have interviewed the company's accountant to try about transfers of money from Sweden. Ms Anna-Lena Dahlqvist, the prosecutor in mission to travel to London.

DSM sees downturn

Shares in DSM, the Dutch chemicals group, slipped yesprofits for last year, writes Gordon Cramb in Amster-

Ahead of definitive figures due next month, it said net result for the fourth quarter earnings from ordinary ctivities would be "at least Fl 700m (\$380.5m)** - a level which would mean a fall of more than one-third from on some of the higher input the FI 1.07bn in 1995.

in its main product sectors Amsterdam at Fl 176.30.

had left nine-month profits 36.2 per cent lower at terday after it gave a lower than expected estimate of its F1591m, the group said yes-- which could not yet be compensated for by higher selling prices - had a greater than expected effect on the

of 1996." This echoed a warning made three months ago, but then DSM had hoped to pass costs to customers. The Although tighter margins shares closed F14.30 lower in INTERNATIONAL NEWS DIGEST

Dresdner Bank in more jumbo loans

Dresdner Bank has several big international project financing loans in the pipeline - each totalling more than \$1bn – to follow the \$2.5bn jumbo loan it is arranging for Russia's Gazprom, Mr Bernd Fahrholz, head of the bank's global finance division, said. Like the Gazprom loan, which is the first by a leading Russian borrower not to carry a state guarantee or be backed by export credit insurance, they will carry risk-minimising structures. Mr Fahrholz said the loan's pre-selling phase from late December to mid-January had produced strong interest from other banks, with underwriting now under way and syndication starting in the second half of February. Gazprom, the world's largest gas producer, is expected

o pay 200 basis points over London interbank offered rate (Libor) for the loan, which will have a maturity of eight years. The funds will be used to help finance the construction of a 4,200km pipeline from the Yamal gas fields in western Siberia to Frankfurt an der Oder, an east German town on the border with Poland. Mr Fahrholz said that Gazprom would service the loan itself, but a trigger mechanism would be built into the loan structure so that repayment could be made from the proceeds of gas sales to west European utilities if necessary.

This device was designed to reassure the banks - while also enabling Gazprom to raise money on the international capital market without state backing – and could act as a "pilot" for future such loans, he said. He declined to say where and with whom Dresdner Bank's next big project financing loans would be arranged, but said South America, Asia (especially China) and eastern Europe were the main regions where big infrastructure and energy projects were being planned. Andrew Fisher, Frankfurt

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Losec sales lift Astra shares

Astra, the Swedish pharmaceuticals group, said sales of Losec, its blockbuster anti-ulcer drug, rose 40 per cent in the US last year - slightly ahead of market expectations. Sales of Losec, which late last year overtook Glaxo Wellcome's Zantac to become the world's biggest-selling prescription drug, rose from \$1.2bn to \$1.7bn after a strong fourth quarter in which sales jumped 46 per cent. Losec is marketed in the US through a joint venture with Merck, the US pharmaceuticals group, under which each company receives half the revenues.

The US has been the prime growth market for Losec in recent years. Astra said underlying US sales, excluding the effect of stock building by wholesalers seen in mid-1996, were expanding at about 40 per cent. Astra's shares rose SKr2 on the news to SKr340. Greg McIvor, Stockholm

Incentive 'not in Daewoo talks'

Incentive, the Wallenberg investment vehicle, said it was not holding talks with Daewoo Electronics, of Korea, or any other company about the sale of its stake in Electrolux, the Swedish consumer electronics group. Separately, Investor declined to comment on speculation concerning its stake in the company.

The French newspaper La Tribune yesterday reported that the Wallenberg family was negotiating the sale of its controlling interest in Electrolux with Daewoo. The Wallenberg family controls Electrolux through its holdings in Incentive and Investor, which between them have more than 90 per cent of the voting rights in the company but only just over 6 per cent of the capital.

DF-1 can market nationally

DF-I, the German pay-TV network, can market itself nationally following the suspension of the implementation of an injunction issued last week by a Hamburg court, which ruled that DF-1 only had a licence to operate in the state of Bavaria. The suspension came after the Bavarian regulator for new media redefined the original licence with DF-1, which is distributed via satellite, so that it applied nationally. The Hamburg court said the suspension did not mean the injunction was fully lifted as it was still considering an appeal by DF-1 against the injunction. Frederick Stüdemann, Berlin

Tenneco in fourth-term loss

Tenneco, of the US, said restructuring charges and a dismal performance in its containerboard business left it with a loss in the fourth quarter and sharply reduced profits for the year. The group last month completed a restructuring that transformed it into an automotive and packaging manufacturing company from a multi-industry

In the fourth quarter, the company posted a net loss of \$361m, or \$2.15 a share, on sales of \$1.7bn. That includes a one-time restructuring charge of \$235m, as well as \$87m in charges related to cost cuts and realignments in its remaining two business units. In the fourth quarter of 1995, Tenneco had income of \$183m, or \$1.05, on sales

Losses from continuing operations in the quarter, excluding the restructuring charge, were \$36m, compared with a profit of \$17m in the same quarter of 1995. For the full year. Tenneco reported net income of \$410m, or \$2.33 a share, including all charges, compared with \$735m or \$4.16, in 1995. Sales for the year rose from \$5.2bn to \$6.6bn. Earnings from continuing operations were \$218m. or \$1.67 a share, in the year, compared with \$258m. or \$1.62,

Onex buys components group

Onex, a fast-expanding Canadian conglomerate, is buying the car component business of Milwaukee based A.O. Smith for \$625m. Tower Automotive, Onex's partly-owned frame and suspension parts unit, will treble its annual sales to \$1.3bn. "We want to make Tower one of the world's biggest structural parts makers and we are looking for acquisitions," said Mr Gerry Schwartz, Onex president and leading shareholder. Onex's other interests: are in airline catering, food services and computer parts and distribution, in North America and Europe. Robert Gibbens, Montreal

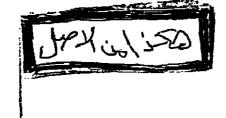
The Financial Times plans to publish a Survey on European Stock **Exchanges**

Friday, February 28

This survey will provide the professional investment community and Captains of Industry around the world with: an update of the progress made since last year's introduction of the investment Services Directive and the radical changes that European Monetary Union may impose on the Exchanges.

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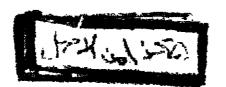
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COMPANIES AND FINANCE: EUROPE

Siemens expects flat year despite setback

By Sarah Althaus in Frankfurt

Siemens, the German electronics group, said yesterday it still expected to achieve flat earnings for the current year, in spite of a slight deterioration in the first quarter.

from DM503m to DM478m (\$291.9m) in the quarter to end-December, hit by lower profits in semiconductors. a trouble spot in the last financial

"We are still on course to meet our forecast for stagnant earnings in 1996-97," the company said. "The first quarter is traditionally a little weaker than the rest at Siemens." profits of DM2.4bn.

Strong growth in the communi- energy, communications, transport cent and orders 17 per cent from a Andrew Griffin, analyst at UBS in cations sector helped underpin overall earnings, while a sharp fall in prices, particularly for memory chips, prompted the profits decline in semiconductors. Sales increased 6 per cent from DM19.7bn to Net income dropped 5 per cent DM20.9bn, with growth spread evenly between foreign and domestic business.

The results were broadly in line with market expectations, and the shares edged up DM0.20 to DM78.78. The forecast for stagnant profits in 1996-97 was first made cations divisions were once again last November and initially led to a sharp decline in the share price. New orders rose 22 per cent from

and information sectors. Most of the increase came from foreign business - up 31 per cent at DM17.5bn - and was led by the Asia-Pacific region, where orders more than doubled, and the US.

However, Siemens warned that "after gaining several big projects in the first quarter, growth is expected to normalise in the rest of the year".

Progress in the various sectors was uneven. The two telecommuniamong the bright spots, reporting double-digit percentage increases in sales and orders. Siemens-In 1995-96, the group registered net DM22.2bn to DM27.0bn, fuelled Nixdorf Informationssyteme, the mainly by several big orders in the computer unit, lifted sales 11 per

vear earlier. The energy sector more than

doubled orders but suffered a 31 per cent decline in sales. Turnover was up 9 per cent in the industrial demand and a slump in German construction led to a decline in orders. In semiconductors, sales were down 12 per cent and orders down 24 per cent.

sticking with their forecasts for flat planned to cut 6,000 jobs in its Gerfull-year profits, but were cautious man operations in the current about the long-term outlook.

ical restructuring, its margins are terrible in comparison with its 203,000. international peers," said Mr Lex, Page 14

London. "I'd expect more disappointments than surprises on the earnings front over the long term." Mr Peter Thilo-Hasler, analyst at

Vereinsbank Research in Munich. business, while weak domestic said: "Siemens is still using the same excuses for its current performance: they are obviously not being quick enough with the restructuring." Siemens is disposing of non-prof-

Most analysts said they were itable businesses and has said it financial year. Over the past three "Siemens is still in need of a rad- years, it has reduced its domestic workforce by about 30,000 to

Villalonga brings banker's mind to telecoms

Telefónica chief hopes that his business skills will help him prepare group for private sector

Telefónica: looking on the pricey side Valuation comparison on modern measures EV / EBITDA EV / EBIT* 10 Enterprise value (EV) = market cap plus net debt plue mino

1.0 1.5 2.0

EV / line (\$'000) 1995

Share price relative to the Madrid Composite M 125 100 97 Source: BZW, Detastream

he Russian dolls, the investment banker - until tiny green drawings on a lurid pink background, betray Mr Juan Villalonga's background.

He may be chairman and chief executive of Telefónica. Spain's national telecommunications carrier which is this week beginning the international roadshow for a \$4.9bn share offering; but his Hermes tie, dotted with Spain and Latin America? motifs, is that of a fashionable investment banker.

Until he was appointed last June to preside over Telefónica, that is what Mr Villalonga was. After nine years as a consultant and then partner at McKinsey & Co, the management consultants, he joined CS First Boston in 1993. Mr Villalonga headed the Swiss-American operations before switching in 1995 to a similar position at Bankers Trust.

last year. Then, apparently out of the blue, he was offered the helm of Telefónica by La Caixa and Banco Bilbao Vizcaya, two core sharebolders.

So how did an investment banker with no experience of the telecoms industry end up as head of a powerful telecoms business spanning

"Amiguismo", Mr Villalonga's critics answer, referring to a Spanish tendency to grant positions to friends rather than professionals. One of Mr Villalonga's classmates at Madrid's Pilar school was Mr Jose Maria Aznar, the leader of the Popular party which ousted the ruling Socialists in the general election last March. The inference widely

drawn in Spain's business establishment is that the t Bankers Trust. new conservative govern- Moreover, the convergence ple from the consumer goods says the words," one analyst Mr Villalonga's career fol- ment - whose 21 per cent of telecoms and information industries. The people before says. "He's learnt the

sold in next month's offering and increased competition because he was the incoming prime minister's childhood

But Mr Villalonga represents not just the enduring entanglement of business and politics in Spain, but a new breed of executive in Spain and the telecoms industry.

r Villalonga, 43, is typical of the IVI young executives whom the government has brought in to run stateowned companies on more nications, have all come commercial lines and to prepare them for privatisation. Mr Cesareo Alierta, chairman of state tobacco coming group, are both former he claims, was wasted. stockbrokers, for example.

lowed that of a successful stake in Telefonica is being technology, privatisation were engineers. It is 3,000 script."

- supported Mr Villalonga have called for new skills among European telecoms executives, particularly in marketing to investors and customers. Until the 1990s, most

national telecoms carriers in Europe were led by engineers steeped in the industry. But like Mr Villalonga, Sir Peter Bonfield of British Telecommunications, Mr Lars Berg of Sweden's Telia, Mr Ron Sommer of Deutsche Telekom and, most recently, Mr Graham Wallace, of Cable and Wireless Commufrom outside the industry.

Mr Villalonga thinks it an advantage to be an outsider who questions received wispany Tabacalera, and Mr dom. One of his questions Francisco Gonzalez, chair- concerned Telefónica's marman of Argentaria, the bank- keting effort - half of which,

times better not to be an expert." he says. Some Telefónica watchers

agree Mr Villalonga brings a fresh eye. "He comes to the business with no presuppositions and no sacred cows," says Mr Scott Mead, head of Goldman Sachs' European telecoms practice.

As Telefónica executives travel to east Asia on the first leg of the international roadshow. Mr Villalonga's experience in dealing with investors is particularly useful. A master of the eloquent pause and hand gesture, he is a strong presenter.

he former banker appears to have preserved his respect for the notion of shareholder investors that have met him an investment banker. "We have brought in peo- are impressed that he even

The question is whether Mr Villalonga can manage a telecoms operator as well as talk a good book. Investment bankers say he promised much at CS First Boston and Bankers Trust, but left before he could deliver it all. There are whispers among Telefónica's main Spanish shareholders of disappointment with his performance.

"You wonder whether he is running a multinational or just doing deals," says one investment banker close to the group. With Telefonica still on its

roadshow and yet to determine the final shape of its international alliances, Mr Villalonga is certainly the man for the moment. But he value, which is relatively still has to prove himself a unfamiliar to Spain. "Those telecoms executive as well as

> **Nicholas Denton** and Tom Burns

Volkswagen sales rise 11%

dropped DM1.85, or 2.2 per cent, to DM83.30 as

EUROPEAN NEWS DIGEST

back to black

cent increase in other areas.

German banks

Share prices relative to the Dax Index

asset sales gave stronger results.

Bouygues bounces

Bouygues, the French construction and communications

group, yesterday reported a return to the black with net

profits of FFr650m (\$118m) for 1996 after heavy provisions

had dragged it into losses of FFr2.9bn for 1995. Sales fell 1

per cent to FFr81.2bn, but the group predicted they would

rise 2 per cent to FFr83bn in the current year with a 4 per

cent decline in its construction activities offset by a 26 per

Its property subsidiary reported near break-even profits

It described the launch last year of its mobile telephone

network – the third to be granted an operator's licence in France - as "favourable", and said it was ahead of its objectives with 100,000 subscribers. It said it also had

The group said its debt was FFr6.5bn at the end of the

year, compared with FFr6.2bn at the end of 1995. It had

FF17.8bn in treasury available, compared with FF17.2bn

Commerzbank shares fell

yesterday after the German

bank reported preliminary

1996 figures. They showed

analysts' expectations. Having risen sharply in recent months along with

the rest of the sector, the shares moved down by 3.2

DM42.40. The bank said it

would transfer DM650m

(\$397m) to reserves (up

from DM400m in 1995) and

pay an unchanged dividend

of DM1.35 a share at a cost

of DM540m. Analysts said

Andrew Fisher, Frankfurt

per cent, or DM1.40, to

net profits higher than the previous year but below

100,000 customers for its radio-messaging service, and

9,000 for S3RP, a dedicated professional telephone

network, which it said would reach break-even this

Commerzbank disappoints

of FFr15m for 1996. Service activities and capital gains on

Volkswagen, the German car maker, lifted global sales 11.4 per cent from 3.56m units to a record 3.97m units in 1996, helping it to expand market share from 9.4 per cent to 10 per cent. Sales improved in all regions, although, at 2.6 per cent, growth was weakest in Germany. Argentina and eastern Europe reported the strongest increases, up 46 per cent and 41 per cent respectively. West European sales rose 9.7 per cent and North American sales were up

this meant net profits totalled DM1.19bn, a rise of 22 per

DM1.3bn. The bank said operating profits were higher,

operating profits were 37 per cent higher at DM1.67bn.

Commerzbank, Germany's third biggest commercial

bank, said its group balance sheet rose 11.5 per cent last

Deutsche Bank, Germany's biggest bank, also reported an

unchanged dividend yesterday, of DM1.80 per share, but

profit-taking succeeded the recent run-up in bank shares.

gave no figures to indicate its performance. The shares

cent on 1995, while they had been expecting up to

but gave no figure. At last year's nine-month stage.

year to DM451bn. Loan volume rose 20 per cent to

business rose sharply.

DM312bn. Loans to local authorities and inter-bank

Luxottica up 27% in 1996

Luxottica, the Italian spectacle-frame maker which has become the world leader in this market, yesterday said its net earnings rose 27.2 per cent in 1996 from L161.7bn the year before to L205.7bn (\$129m). Last year's figures, which include a 28.3 per cent rise in turnover to L2,373bn, include the activities of LensCrafters, the biggest US retailer in the sector. It acquired LensCrafters in May 1995 when it bought US Shoe. It subsequently disposed of the US group's footwear business.

Petrofina profits jump 38%

Petrofina, the Belgian oil group, said 1996 net profit rose 38 per cent from BFr11.6bn in 1995 to BFr16bn (\$48m). Cash flow rose from BFr39bn to BFr45bn. European refining margin rose to \$2.27 a barrel in 1996 from \$1.80. Profit from exploration and production rose from BFr13.2bn to BFr23.8bn. Chemicals profits fell from BFr19.7bn to BFr11bn. AFX News, Brussels

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large, rival Portuguese bank-

Banco Comercial Portugues, Portugal's second largest financial group, lifted net consolidated profits by 14.8 per cent last year to Es23.27bn (\$142.22m), up from Es20.27bn in 1995. Earnings per share rose from Es176 to Es185.

Mr Jorge Jardim Goncalves, BCP president, attributed the growth in earnings 2.9 to 3.2 per cent in the

group's financial margin, the ings from financial trading. difference in the average rate at which banks raise and lend funds. The 1996 dividend is to be

Es70 a share, up 12.8 per cent on 1995. Fee-based and other income accounted for 58.7 per cent of total earnings, compared with 56.9 per cent

in 1995. The bank said this reflected strong growth in the cross-selling of finanlargely to an increase from cial products within the group and increased earn-

BCP became the country's biggest private-sector banking group when it acquired control of Banco Portugues do Atlântico for Es308bn in

It is also Portugal's market leader in insurance and asset management. Because BCP began to consolidate BPA's earnings only

in April 1995, results from the two years are not directly comparable. But the group said that, on a comparable basis, net con-

solidated profit had grown by 22.3 per cent. Analysts said the results

were in line with expectations but expressed concern over what one Lisbon broker called a "lack of clarity" over aspects of the group's BCP has left just under 50

per cent of BPA in the hands of the Mello group, its partner in the takeover. BCP also holds a stake of

about 20 per cent in Mundial

ing group. Analysts said that by failing to indicate whether it planned to sell its Mundial Confiança holding to increase the group's stake in BPA, BCP was allowing room for speculation that the benefits of the BPA purchase were taking longer to

realise than it had originally envisaged.

Investors could interpret this as a lack of confidence by BCP in its its ability to Confiança, an insurance unlock the potential of BPA company that controls a as quickly as it has fore-

analyst. "It also leaves room for doubt over BCP's position in relation to the Mundial Confiança group." Another London-based

analyst said BCP might be delaying increasing its stake in BPA in order to avoid the obligation of increasing its Tier 1 capital.

This would require a further capital increase from investors, who have already seen their shareholdings considerably diluted since the BPA takeover.

We are pleased to announce the following appointments effective January 1, 1997:

Scudder, Stevens & Clark, Inc.

Managing Directors

Irene T. Cheng Joyce E. Cornell Janet E. Curneen Ray E. Helfer, Jr., CFA

Peter C. Andresen, CFA

Lori J. Ensinger, CFA

Victor L. Hymes Mark A. Jackson, CFA Steven M. Meltzer, CFA Christopher L. Gootkind, CFA Gregory W. Neumann Graham F. Nutter

Masahiko Sasaki John L. Schaefer, Jr., CFA & CPA J. Scott Swensen

M. Isabel Saltzman

Robert D. Persons, CFA

Christopher P. Quinlan

Ann M. Piacentini

Wendy A. Procops

Michael F. Refojo

Principals

Eileen O. Gerspach, CFA

Deborah S. Hilden Kelly D. Babson Sabra J. Bartlett, CFA Joanne C. Houghton, CFA Omar Kodmani, CFA Katharine C. Bullock Richard R. Byrnes, CFA Dan Csuma Scott B. David J. Brooks Dougherty, CFA Dorothea M. Dutton, CFA

Sylvia Kwong Ann B. Lombard Brenda Lyons Naoko Mayumi M. Ashton Patton, CFA

Charlene A. Richard Robert A. Rudell Nancy J. Teeven Sydney S. Tucker David Wines, CFA

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THE JAPANESE WARRANT FUND Société d'Investissement European Bank & Business Centre 6, route de Trives, L-2633 Senningerberg R.C. Luxembourg B 31629

In accordance with Art. 67(5) on the Luxembourg Law on Commercial Companies, the Board of Directors has resolved to postpone the Annual General Meeting of the Company initially scheduled to be held on 15 January 1997 at 4:00 p.m.

The shareholders of the THE JAPANESE WARRANT FUND ("the Company") are hereby convened to the postponed

Annual General Meeting

to be held at the registered office of the Company, European Bank & Business Centre, 6, route de Trèves, L-2633 Sendifigerberg, Grand Duchy of Luxembourg on Friday 14 February 1997 at 4:00 p.m. for the purpose of considering and voting upon the

1. Submission of the Report of the Board of Directors and of the Audit Report: 2 Approval of Annual Report for the year ended 30 September 1996;

3. Discharge of the Directors: 4. Election of Directors and Auditor; 5. Any Other Business.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken at the majority of the shareholders present or represented. A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Company.

In order to be able to attend the meeting, holders of bearer shares must deposit their bearer share certificates five working days prior to the meeting with the following institution:

Kredietbank S.A. Luxembourgeoise - Conservation Titres 45, boulevard Royal - L-2955 Lexembourg

Shareholders who cannot personally artend the meeting are requested to use the prescribed form of proxy (available at the registered office of the Company) and return it at the latest two working days prior to the date of the Annual General Meeting to the Company, c/o Fleming Fund Management (Luxembourg) S.A., L-2888 Luxembourg.

By Order of The Board of Directors HENRY C. RELLY, January 1997

This announcement appears as a matter of record only. January 17, 1997 \$7,810,000 C-C-C Group plc **6% CONVERTIBLE DEMAND NOTES** These securities were placed privately.

GERARD KLAUER MATTISON & CO., INC.

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Citic deal reflects balance of HK power

CLP alliance highlights growing influx of Chinese capital and influence in the territory

per cent

ises to be a year of corporate unbeaval, as well as historic political change, in Hong Kong, it was supplied

The announcement of an alliance between Citic Pacific, China's flagship investment vehicle in Hong Kong, and China Light & Power, the monopoly electricity generator in Kowloon, closely followed other corporate coups - notably the purchase by Mr Larry Yung, Citic Pacific chairman, of an 18 per cent stake in his company and the move by Mr Li Ka-shing, the territory's most powerful tycoon, to

Hongkong Electric. Like those moves, yesterday's announcement was rich in symbolism and ripe with business and political significance in the light of the return to Chinese sover-

The Kadoories, the conare old money. The Iraqi-Jewish family arrived in (US\$625m). Hong Kong at the end of the last century to build their trading, hotels and utilities arriviste who has shaken up the corporate scene by taking strategic stakes in Hongkong Telecom and Cathay

the deal underlines the growing presence of main- a deal on the 3,200MW power land-backed businesses in plant in Shandong in eastern important sectors. But while the aviation restructuring prompted concerns about the terms of mainlandbacked transactions, observers expressed few qualms yesterday.

Citic Pacific paid little less than the market price for its line with recent market should also help.

f more proof were placements. The Kadoories needed that 1997 prom-remain the biggest shareholders, with a stake of 27

> The companies themselves stressed the industrial logic of the deal. For CLP and the Kadoories, it provides the potential for expansion which does not exist in the mature Hong Kong market, courtesy of Mr Yung's expertise and contacts. "In Hong Kong, CLP is going nowhere," says Mr Robert Medd, conglomerates analyst at Deutsche Morgan Gren-

Kowloon and the New Territories, the areas covered by CLP's franchise, has been make a general offer for sapped by the migration of manufacturing over the Chinese border. Its excess generating capacity has led to a downward revision of investment plans and hence profits, since the two are linked by the government's scheme of control, which governs the industry. In the year to trolling shareholders of CLP, end-September, net profits

Demand for electricity in

looking beyond Hong Kong for growth, and has taken empire. Mr Yung, China's stakes in power projects on best-known capitalist, is an the mainland, in addition to a 25 stake in Daya Bay, the nuclear power plant in the southern region of Shenzhen. Apart from Daya Bay, however, CLP's mainland As with the restructuring ambitions have come to litat Cathay Pacific last year, tle. After four years of negotiations, it has failed to close

CLP's China prospects

should be improved by partnership with Mr Yung, an engineer with detailed knowledge of China's power sector and a useful political China's vice-president. The 20 per cent stake in CLP, in HK\$16.25bn it will receive

Citic Pacific: expanding empire Citic Pacific Dah Chong Hong . (HK and China)

Year to September						. Fina	al Result	s ·
		Profit b	reakdown	1		1996	1995	% ct
	1994	1995	1996	1997*	Turnover	18,620	17,002	
Tuniovec	15,445	17,072	18,620	20,671	Operating Profit Associates	3,496 1.847	3,151	+10.8
After-tax profit	3,985	5,364	4,516	4,893	Exceptional		1,286	T 1 1 1 7
Net Profit	4.206	5.674	4,835	5,198	Profit before tax	5,343	6.690	(12.6
EPS (HKS)	2.11	2.85	2.43	2.61	Transfers			
Cividend (HKS)	1.75	-1,62	1.19	1.28	Net Profit (HK\$)	4,836	5,674	(14.8
Source: ING Berings				* forecast	EPS (HKS) DPS (HKS)	1.40	162	13

At home in Hong Kong, a partnership with Mr Yung would provide powerful backing in local political battles. With Hongkong Electric in the stable of Mr Li Kashing, CLP now has its own influential shareholder in the event of changes to the territory's scheme of control.

seems less compelling. If the benefit for CLP is gaining an exit from Hong Kong, why should Citic want to move in the opposite direction? "I find it hard to see the commercial benefits," says Mr Medd at Deutsche Morgan Grenfell "And a big ques-

For Citic Pacific, the logic tion is how they finance

One motive, according to some analysts, is that Citic would secure access to CLP's cash flow and balance sheet for its mainland ambitions. "It is a familiar theme," one

cle. Let's get together." Others pointed to the group's strategic shift. Citic Pacific already has stakes in five mainland power stations and yesterday underlined its increasing focus on infrastructure as it sheds its image as a holding company.

Mr John Godfray, conglomerates analyst at Kleinwort Benson in Hong Kong. predicts profits from infrastructure could rise from HK\$5m in 1993 to more than HK\$1.5bn by 1998. He also pointed to the striking similarities between this deal and Mr Li Ka-shing's move at Hongkong Electric.

s with any deal in A pre-handover Hong Kong, however, attention also focused on its further implications. Recent deals have raised concerns about the commercial environment in Hong Kong. Following claims that the aviation restructuring was a forced sale in which the UK group Swires was pressured to sell a stake to Citic, Mr Yung's share purchase was criticised for lack of transparency and the low price that he paid.

Most observers were less concerned by yesterday's transaction. "The Kadoorles were not forced sellers, and the benefits for CLP are pretty apparent," one investment banker says. But some have reservations. "With a mainland shareholder in CLP we may now see more politics in power in Hong Kong."

There was consensus on one point, however. Few expected yesterday's deal to be the last move in the restructuring of corporate Hong Kong. Should Citic Pacific sell some of its strategic stakes to help fund its new alliance - with speculation centring on Hongkong Telecom - it could even trigger the next wave of busiess realignments.

John Ridding and Louise Lucas

ASIA-PACIFIC NEWS DIGEST

Japan chip groups may cut spending

Japan's leading semiconductor makers are considering a cut in semiconductor capital spending this year amid the continuing sharp fall in the prices of their mainline

Although the manufacturers, which are among the largest makers of dynamic random access (D-ram) memory chips, said plans for capital spending had not been finalised, several companies admitted that the plunge in memory prices since early last year had led them to reconsider their plans.

Hitachi, which invested Y150bn (\$1.25bn) in emiconductor capital spending this fiscal year, said it would like to maintain that level of spending in fiscal 1997, but might have to revise its plan depending on market conditions.

Toshiba also said that since memory prices had not recovered, the company might have to consider reducing

capital spending. Japanese semiconductor makers have been hit hard by the plunge in memory prices, which came after many of them announced substantial increases in capital spending in anticipation of strong demand from the computer and information technology industries.

Volume demand for memory chips is growing but unit prices have fallen to about one-quarter or even one-fifth of their levels before the downturn, according to Toshiba. "The rapid plunge is putting pressure on sales and therefore we must tighten our belt," the company noted. Michiyo Nakamoto, Tokyo

Row over Optus Vision grows The legal battle between Mr Kerry Stokes' Seven Network, the Australian broadcaster, and other members of the Optus Vision pay-TV consortium intensified yesterday, as Seven served a "default acquisition" notice on Optus Communications, the telecoms group.

Optus is one of the largest single shareholders in Optus Vision, with a 45.5 per cent stake, and its planned A\$4bn (US\$3.1bn) stock market float has already been delayed because of the legal row with Seven. Seven, which owns about 2 per cent of Optus Vision, began its action after other OV shareholders agreed to change the terms of an option deal with Mr Kerry Packer's Publishing and Broadcasting group. Seven claims this was in breach of the OV shareholders' agreement.

If Seven's case is successful, the default acquisition notice might allow it to acquire Optus' shares in Optus Vision for about half the subscription price paid by Optus However, Optus has stressed that it intends to take "all steps necessary to protect its interests", and disputes the valuation process's results. Nikki Tait, Sydney

Profits slide at Simsmetal

Simsmetal, the listed Australian scrap metal group which also has interests in the US and Europe, saw after-tax profits fall 42.9 per cent in the first half-year, to end-December, to A\$14.1m (US\$10.93m). Revenue was 11.5 per cent lower, at A\$550.7m. The company blamed lower demand and prices for secondary ferrous and non-ferrous metals, but added that these had improved in recent weeks, leading it to forecast better profits in the second

Crown, Hudson in casino talks

Crown Casino, builder and operator of the large new Melbourne casino, confirmed yesterday it was talking to Hudson Conway, the property group, about acquiring management rights to the gaming property. Crown also said that Hudson Conway planned to exercise its option to take its stake in Crown to 40 per cent, from around 33 per cent at present.

Mr Kerry Packer, the Australian businessman, is a significant shareholder in both Crown and Hudson Conway. He recently acquired management rights to the Sydney Harbour Casino, prompting speculation that there could be an eventual merger between Crown and SHC. Nikki Tait

China airline in HK issue

China Eastern Airlines yesterday launched the Hong Kong tranche of its initial public offering, issuing 140m. H-class to Hong Kong investors. The H-shares, which are shares of Chinese companies listed in Hong Kong, are priced at HK\$1.38 each.

The H-shares issue is part of a global offering of 1.4bn shares. The rest of the IPO is being offered on world markets in the form of American Depositary Shares. Shanghai-based China Eastern is the first Chinese airline to go public, and analysts expect a strong response.

The IPO will close Friday at midday and the shares are expected to begin trading on Wednesday February 5. Morgan Stanley Asia is global co-ordinator for the issue.

Japan to lift derivatives ban

Japan's finance ministry, in an effort to speed up the pace of financial deregulation, is moving to lift the ban on over-the-counter derivatives trading by early next year. OTC derivatives trading, while popular in the US and Europe, is banned in Japan, which interprets such trades as gambling and prohibits it under the country's penal

However, the government's recent pledge of a "Big Bang"-style package of financial reforms has increased pressure on authorities to bring Japan in line with other leading financial markets. An advisory panel to the finance minister is expected to endorse the lifting of the ban by April, and start drawing up new regulations on OTC derivatives trades. Gwen Robinson, Tokyo

Jardine names Ward to head cars unit

By Louise Lucas

Jardine Matheson, the Hong Kong conglomerate, has chosen Mr Peter Ward, lack of demand for foreign one-time chairman and chief cars in China. At the same executive of the troubled time foreign carmakers and Cunard Line, to be chief distributors have suffered in executive of its car Malaysia and Indonesia. distribution arm.

reorganisation of top-level executives.

Motor Holdings (JIMH), the experience and record in the car distribution arm of the motor industry. group, said Mr Simon Keswick, chairman, was to Peugeot-Talbot, Jaguar, step down, although he remains a director of the

Mr Keswick will be replaced by Mr Anthony Motor Cars. Nightingale, who was director.

the UK shipping and cruise in the early 1990s. company, in June 1995, in the wake of problems on its chief executive will want to QE2 liner. JIMH will present no less of a career challenge. business and set his own Falling luxury car sales in mark on it, but we are not Hong Kong, a key market for hiring him principally as a JIMH, have dented earnings.

In September, the company issued a profit part of JIMH's plan for warning for the full year. It management succession.

reported net profits had more than halved in the six months to June 30, from

JIMH has been hit by a which have introduced The move is part of a national car programmes. Mr Sam Houston, finance director of JIMH, said Mr

Jardine International Ward was chosen for his In addition to stints with Rover Triumph and British Leyland, Mr Ward has been

chairman and chief executive of Rolls-Royce Mr Houston noted that his previously joint managing time with Rolls-Royce took

the company through Mr Ward joined Cunard, recovery from a sales slump Mr Houston said: "Any

look at the strategy of the

magician." Mr Ward's appointment is



Peter Ward: ex-Cunard chief prepares for more challenges

with director Nightlingale, is approaching retirement. Mr Lee is to be chairman of Zung Fu, the company's principal

Mr Richard Lee, who has House, the UK construction, served as joint managing engineering and shipping group, three months ago, after just over a year.

His time there briefly coincided with Jardine's involvement with Trafalgar House. Jardine's property Mr Ward quit Cunard arm held a 26 per cent stake Line, part of Trafalgar until March last year.

Mitsubishi teams up with **Pininfarina** By Michiyo Nakamoto ernment, have a joint production facility called Ned-Japan's leading vehicle mak- discussing making trucks as ers, yesterday confirmed it well as cars. However, last has a joint project with year, Mitsubishi noted pro-Italy's Industrie Pininfarina ductivity at NedCar had to launch a new sports utilbeen disappointing. ity vehicle in 1999, designed Mr Hirokazu Nakamura. chairman of Mitsubishi, said specifically for Europe. Pininfarina, which makes vesterday he was happy with vehicles for other compa-NedCar and the relationship nies, including Ferrari, Peugwith Volvo, but made clear eot and Fiat, will produce that the company would purabout 35,000 units a year of sue its expansion in Europe through alliances with the

Mitsubishi's new car at its facility in Turin.

Mitsublshi, Pininfarina
and Mitsubishi Motor Sales Europe, will together invest

Y20bn (\$168m) in the project. Mitsubishi Motor Sales Europe will market the cars through its sales channels in Mitsubishi already has a ioint production facility with

Volvo in the Netherlands. The deal shows Mitsubishi's determination to be independent of Volvo, considered one of Europe's most vulnerable vehicle makers because of its narrow prod-

uct range and small produc-

Mitsubishi and Volvo, mura expects local content together with the Dutch govto be about 80 per cent.

The COPERATIVE BANK £75,000,000

most suitable partners.

Mr Nakamura emphasised

that the choice of Italy as a

production base owed much

to the network of parts sup-

pliers that has grown out of

the country's long history of

car production and the popu-

Mitsubishi will be respon-

sible for the design and

development. However, it

expects considerable input

from Pininfarina, particu-

larly on design aspects, the

The engines, with a capac-

ity of between 1,500cc and

2.000cc. will be imported

from Japan, but Mr Naka-

larity of small cars.

company said.

Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 28th January, 1997 to 28th April, 1997 the following information will apply.

1. Rate of Interest 6.4375% per annum Interest Amount payable on Interest Payment Date: £79.37

Per £5,000 nominal or £793.66 Per £50,000 nominal 28th April, 1997

The Co-operative Bank plc

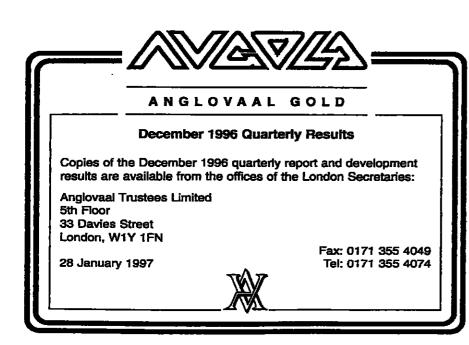
Bank of America International Limited

CAN WE

PIN YOU DOWN!

million people living with cancer. Please help. Just più on your cheipie.

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KOREA GROWTH TRUST

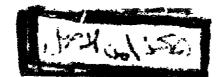
Beneficial Certificates representing 1,000 units

Notice is hereby given to the Unabolders that Korea Growth Trist, menaged by Cluzens his estiment Trust Management Co. Ltd., Second, declared a distribution of won 98,000 per IDR of 1,000 units payable on or after February 3, 1997 Payment of coupon rumber 12 of the international Depositary Receipts will be made in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York

New York, 64, Wall Street Brussels, 35, Avenue des Arts London, 64, Victoria Embankment Frankfurt, 2-4 Boersenstrasse

The amounts of dollars shall be the net proceeds of the sale by the Fund of the won amount in a foreign exchange bank in the Republic of Korea at as "spot rate" on February 3, 1947. The proceeds of the coupons presented after February 3, 1947, will be converted into US dollars at the prevailing spot rate of the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after destinated in the Unitholders in proportion to their respective entitlements and after destination of all taxes and charges of the Depositary. Holders residing in a county, has me a doubtle taxation treaty with the Republic of Korea may obtain payment of their cruptons at a lower rate of the Korean non-resident waitholding tax, on condution they furnish to either the Depositary or through one of the designated sub-paying agents a certificate showing their residence logicities with a capy of the Certificate of Incorporation or a copy of the passport for individuals. These documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 27.50 p.a Korean non-resident withholding tax will be retained.

With respect to the Korea Growth Trust Prospectus and persuant is clause 18(D) of the Trust Deed notice is also given that, as from June 30, 1997 payment of coupon number 12 will be made under deduction of 27,50 per of the Korean withholding tax. Depositary Morgan Guaranty Travi Compute, of New York 35, Avenue des Arts, B-1880 Brussels JP Morgan



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COMPANIES AND FINANCE: UK

UK group adds papers to tobacco as it tackles the effect of differing tax rates | Kenwood

Imperial pays £185m for Rizla

By Roderick Oram in London and Gordon Cramb in Amsterdam

Rizla, smokers' favourite brand of papers for handrolling cigarettes from tobacco and other leaves, has been bought by Imperial Tobacco of the UK for £185m

since imperial, number two in the UK cigarette market in recent years because of and maker of the Embassy brand, was spun off from conglomerate Hanson and

The Energy Group, the last

of the demergers from Han-son, yesterday promised double-digit dividend growth

exploiting the company's

on February 24, Energy

Group said that its dividend

policy would be consistent

with its "strategy of growth

It disclosed that it was in

an energy trading business

require shareholder

deal of £500m (\$835m) or

Hanson shares fell 2p to

Hanson shareholders will

Analysts said they expec-

to trade at about 550p. Caze-

nove, the company's broker.

more is being considered.

dividend policy.

shares.

and generating assets.

and investment"

skills in energy markets.

By Simon Holberton

regimes: a shift from factorymade to more lightly taxed hand-rolled cigarettes; and pouch due to lower taxes. heavy cross-border trade in hand-rolling tobacco, particularly into the UK, because of differing duty rates.

Imperial's UK sales of its The acquisition is the first Golden Virginia tobacco Imperial. have fallen some 40 per cent cross-Channel imports of tobacco from Belgium, where duties are lighter.

A 50gm pouch of Golden Imperial said Rizla would Virginia costs nearly £8 in a

said it valued the company

This share price range

would value Energy Group

between £2.86bn and £3bn.

The company will come to

net assets of £1.8bn and net

debt of £1.44bn. In the year

its of £447m on turnover of

Energy group owns Pea-

body Coal, the largest US

coal producer, and Eastern

Group, an integrated elec-

earn bonuses of up to a max-

imum 75 per cent of salary

The company faces a chal-

view it as a growth stock,

rather than a traditional

utility where dividend yield

Mr Bonham indicated that

as Enron, the aggressive US

energy trading and power

grew out of a regulated gas

at 585p a share.

and a strategy based on the market with pro forma

In documents published to the end of September, it

£3.76bn.

ahead of its planned listing made pro forma pre-tax prof-

discussions which could lead tricity company.

to acquisitions in the US of Executives will be able to

Mr Derek Bonham, chair- in the first two years and up

man, said possible invest- to maximum of 125 per cent

ments in generation could be of salary in the third and

approval. Analysts suggest a lenge in getting investors to

921/sp amid concerns about is the most important indica-

receive one Energy Group the company aspired to be

share for every 10 Hanson rated with companies such

ted shares in Energy Group production company that

tor watched.

substantial enough to subsequent years.

ments in European smoking or so in pubs and street mar-rolling papers, and as much buy it in Belgium for £2 a main markets.

> tobacco accounts for about 60 per cent of the UK market, estimates Mr Gareth Davis, chief executive of Swiss bank. Adding papers to tobacco

Dutch-based Rizla, which earned pre-tax profits of £17m on sales of £74m last

The Energy Grou

prompted by inequitable tax kets. These outlets are sup- as 80 per cent in the UK and on as Rizla's chief executive. plied by bootleggers who the Netherlands, its two

Bootleg hand-rolling Belgium sold Rizla in midled by the London venture products are put: rolling cancapital arm of UBS, the The venture capitalists

moved Rizla's headquarters Netherlands. "is a lovely fit," Mr Davis to the Netherlands because it offered "an excellent business climate open to the outside world, with multilingual year, has two-thirds of the attract management, and a tobacco."

help it tackle two develop- UK tobacconist but only £4 world market for branded friendly tax system," said Mr Roger Thomas, who will stay Mr Thomas insisted neither the company's Dutch The Painblanc family of location nor its growth strategy depended on the other 1994 to a group of investors notable use to which its

nabis joints, the small scale

supply of which has long

been decriminalised in the "Quite frankly it is abso-lutely minimal," he main-tained. "We very specifically don't set out to promote our employees, an ability to brands for anything except

£5m (\$8.4m). Mr Tim Beech, who moved up from finance director to managing director in October 1995, leaves at the end Energy Group hints at big US buy of next month. He will be succeeded by Mr Colin Gordon, now a director of

the second half.

warns as

chief

departs

By David Blackwell

Kenwood Appliances,

famous for its Chef food

mixers, parted company

with its managing director

vesterday after warning of

significantly lower profits in

The shares fell 22p to 164p

as full-year forecasts were

cut from about £9m to below

suggested to both man vear".

As well as mollifying such dissident shareholders. Mr David Nash, chairman since December 3, has had to deal with the revelation last month that Pifco, the household appliances group, was interested in taking over its bigger rival. Pifco would make no comment yesterday but Kenwood is considered by the Takeover Panel to be in an offer period.

It said trading conditions in western Europe had continued to be tough, and the strength of the pound would hit profits as 75 per cent of sales are outside the UK. Mr Beech blamed the profits decline mainly on the weak Italian market. Many of Kenwood's problems stem from the £22m acquisition of Ariete, a Florence-based producer of air conditioners. To fund the deal in 1994 it raised £27m through a

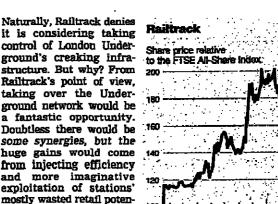
LEX COMMENT Railtrack

it is considering taking Radtrack control of London Underground's creaking infra- to the FISE All-Share Index: structure. But why? From 200 Railtrack's point of view, taking over the Underground network would be a fantastic opportunity. Doubtless there would be 160 some synergies, but the huge gains would come 140

from injecting efficiency and more imaginative 120 exploitation of stations' mostly wasted retail potential. Moreover, if Railtrack could persuade the govern-

Grand Metropolitan's wine and spirits subsidiary IDV.

Last month Kenwood defeated a call by UK Active Value, the investment fund, that it should put itself up for sale. UKAV, which has a 9 per cent stake, described yesterday's developments as exactly the strategy we ment and shareholders last



ment to hand over the network, it could almost certainly pick it up cheap. Who else, after all, would be bidding? For this reason, of course even a Conservative government would presumably think twice about a sweetheart deal. And to a Labour govern-ment, anything labelled "privatisation" would be virtually impossible to swallow. Yet even if it thinks a Labour victory is likely. Railtrack should not give up on the idea; instead it should be thinking laterally. Any privatisation of the Underground would involve regulation and, for the foreseeable future, government subsidy. Labour says it is committed to public-private partnerships, and to the present government's private finance initiative. That should give Railtrack plenty of opportunity to get involved if it tactfully put its mind to it.

Energy Group

Pity the soon-to-be-floated Energy Group. Cobbled together from Hanson's energy interests, the new company has to construct a strategy which can plausibly embrace a good UK power business and the largest US coal producer. Yet the current solution - to use these as the first building blocks of an integrated international energy business - is worryingly grandiose.

Electricity generation is not a global business but a local one. So the Atlantic ocean is a pretty formidable obstacle to extracting anything but a spot of pooled expertise. Moreover, although the oddities of Britain's electricity pool mean there are business advantages from the combination of the group's generating and supply businesses in the UK, that is not where its ambitions lie. These are in the US, where the plan is to bolt power generation and supply on to the existing coal business According to the group's brokers, this will "capture the

economic rent which stretches across the entire value chain". If this sounds like goobledegook, that may be because it is. Just because a power plant is bought by a coal producer does not suddenly make it worth more. Of course, that need not rule out ingenious wheezes in special situations. And who knows? The number of US power plants coming up for sale could mean some can be bought cheap. But in its enthusiasm to chase a sexy rating and impose coherence on its peculiar inheritance, the group could all too easily end up on an old-style Hanson buying spree which enhances earnings but destroys value.

Sterling blow to DLJ acquires Hogg Robinson | Phoenix for £50m

By Motoko Rich

The strength of sterling took its toll again yesterday as Hogg Robinson said the appreciating pound had had a "marked impact" on some of its operations.

Shares in the travel, transport and financial services group tumbled 84p to 207p as it said it did not expect "to achieve the level of performance as currently predicted by analysts" for the year to March 31.

Brokers downgraded their pre-tax profit forecasts from £31m to £27m (\$45m). Mr Brian Perry, chairman and managing director, said: "It is not a disaster by any means. It is a disappointment, but it is still a very healthy business."

Two divisions had been affected by the strong pound: the cross-channel

RESULTS

trailer transport business and its Nordic business travel operation, acquired

for £59m in 1995. Mr Perry said the German and Dutch transport operations had suffered. The trailer businesses were also affected as competition in the cross-channel market forced rates down. The division's profits were downgraded from £3.75m to £2.9m (£5.7m).

Bennett, the Nordic business, was only slightly hit by the strong pound be the group had hedged against currency movements. But competition in the market shaved margins and cost the business an important customer. Profits in the division were reduced

and financial services were performing to expectations.

Eric Ansteo finance director

By John Gapper **Banking Editor**

Donaldson, Lufkin London.

from £11.5m to £9.4m. Mr Perry said UK travel

Jenrette, the Wall Street investment bank, has become the second buyer of Phoenix Securities, the merchant bank that made its name advising brokers and iohbers during the 1980s deregulation of the City of Phoenix was first acquired

by Morgan Grenfell in 1987 when it hired Sir John Craven, founder of Phoenix, as its chief executive. It regained its independence when Morean Grenfell was bought by Deutsche Bank. DLJ, 73 per cent owned by

Equitable, the US insurance company, is thought to have paid about £50m (\$83.5m) to take over the firm. Some 70 per cent of the equity is owned by three founding financial advice.

partners and other directors The US investment bank. itself the subject of takeover speculation since the flotation of a minority of its equity two years ago. intends to use DLJ Phoenix, as it will be known, to boost its European operations.

Mr Martin Smith, Mr Philip Seers, and Mr David Reid-Scott, the partners who bought the business from Deutsche Bank in 1990, have signed four-year "golden handcuff" deals along with three other directors.

Mr Smith, the chairman, said there was a risk of losing clients who had valued its independence but initial reactions had been positive. The new firm intended to expand its venture capital operations and broaden the number of industries in which it provided specialist

Clyde attacks 'crazy' Gulf offer

Clyde Petroleum yesterday Resources of offering a "crazy price" in its £432m (\$704m) hostile takeover bid as it issued a new asset valuation and better-than-expected 1996 profits.

Using a study by Energy Research Consultants, Clyde came up with a value of 120p-144p a share, without any premium for control. This compares with Gulf's offer of 105p a share.

Gulf attacked the valuations as "unrealistic" and "unbelievable", adding that the UK oil independent had produced no new information to justify an increased valuation.

Prizes are destinated for every hard-four in send-bently-four hour period. Prizes we in possible per respinsivitive, reserved to less destinal places. To convert prizes to parent per bloom short from the control point religion to more per period to the lake, as PASAP MATA becomes 1.25(pp.Min. Provision for the determination of pool force is much in the Pooling and the shoothing point on the late in the Pooling and the shoothing point of the respirate of period of the shoothing point of the respirate of period to the period of the period of the period of the shoothing point of the respirate of period to the shoothing point of the respirate of period to the period of the period of distinctive traded trangent the point of the respirate of period to the period of the period of distinctive traded trangent and the period of the period of period to consider the period of the period of period of the period of period period of the period of the period of period period of the period of the period of period period period of the period of the period of period period of the period of the period of the period of period of the period of period period of the period of the period of the period of period of the period

"Nobody will accept their accused Gulf Canada offer, and very few people will accept the current share price." A bid of about 120p a share would not win a recommendation from the board, he added.

Clyde's shares fell 2p to 116%p on fears that Gulf would not raise its bid by much. There was also disappointment at ERC's 120p-ashare valuation. Clyde's 144p figure was calculated on a forecast of \$21 per barrel of oil, regarded as optimistic; RRC used \$18

The valuations prompted few analysts to change their net asset calculations for Clyde, which average 80p. Much of the valuation gap of 1.5p.

But Mr Malcolm Gourlay, relates to ERC's use of Clyde's chairman, said: "potentially" commercial "Nobody will accept their reserves, while exchange rates, oil price forecasts and discount rates added to the differential. One analyst said: "You can tweak it very slightly and end up with very positive numbers

> Clyde's 1996 profits rose 22 per cent to £32m (£26.3m), helped by increased production and strong oil prices. Acquisitions contributed £41.7m to sales of £171.4m (£140.6m). Operating profits almost doubled to £65.2m.

A lower-than-expected tax charge of 44 per cent was largely caused by a provision write-back. A final dividend of 1.05p makes a total



Malcolm Gourlay

Pro-tack Petroleum Pro-tack Pro-tac									Disidende .		
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	arrings shown basic, Dividends shown ne r Comparatives for 27 weeke and restated	d opAim stock	♦Third Inter	im; makes 7	.75p to (iste.					

CONFERENCES

FEBRUARY 11 1997 Britain's Place in the Growing Economies of Latin America

Conference organised by Canning House, in association with the CBI, to examine current and future trends in investment & trade with Latin America. Speakers include Labour Party Spokesman on Foreign Affairs, Inter-Amercian Development Bank, Mexican Secretary of State for Trade, Deputy Governor of the Bank of England and ministerial panels on Central & South America. The conference will develop themes raised the previous day at the Government's Link "Into Latin America's

> Contact: The Corporate Office, Canning House, Tel: 0171 235 2303 Fax: 0171 235 3587

JANUARY 31

Investor Relations: The Institutions

What makes the institutions tick, the shareholder relations challenge, 1997 institutional activist agenda, analysis of top funds. Speakers: Hermes CEO Alastair Ross-Goobey, BA Pension Fund CEO David Gamble, Fidelity MD Richard Horlick, PDFM and CUIM. Moderator: Institutional Investor magazine London Bureau Chief David Fairlamb.

> Contact: Bass Associates Seminars Tel: 0171 436 4486 Fax: 0171 436 4478

LONDON

per present 25.75 per present Shareholders are advised that the board of directors of this company has been notified by its principal shareholder that it is considering disposing of its

shareholding in the company and, pending a further announcement, caution should accordingly be exercised in any dealing in shares of the company.

29 January 1997

Bank of Montreal US\$250,000,000 Floating rate debentures, series 10, due 1998

Interest rate for the period 29 January 1997 to 29 July 1997 has been fixed at 5.80% per annum. The amount payable on 29 July 1997 will be US\$291.61 per US\$10,000 note against coupon 22

225,000 Floor Certificates due 1998 The differential interest rate for the above payment period has been fixed at 0.25% per annum interest payable on 29 July 1997

per US\$1,000 note will amount

to US\$1.26. Agent: Morgan Guaranty Trust Company **JPMorgan**

The COPERATIVE BANK

£75,000,000

Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 28th January, 1997 to 28th April, 1997 the following information will apply.

1. Rate of Interest 6.4375% per annum 2. Interest Amount payable on Interest

Payment Date: Per £5,000 nominal or £793.66

Per £50,000 nominal

Interest Payment

28th April, 1997

The Co-operative Bank plc

Bank of America International Limited

INTERNATIONAL CAPITAL MARKETS

US adds liquidity to index-linked sector

By Tracy Corrigan in New York

When the US Treasury, the world's biggest issuer of securities, holds its first auction of inflation-linked bonds today the international index-linked market will take a big leap towards the mainstream.

The UK authorities may pride themselves on having pioneered the index-linked gilts market, but even though 17 per cent of gilts issued are index-linked, the market is too small and illiquid for many investors. Similar markets in Canada, New Zealand, Australia and Sweden are regarded as even

more obscure.
Index-linked Treasuries. on the other hand, could in time become a core investment for many funds.

"Institutional and mutual funds are looking at them, as well as a lot of esoteric accounts," said Mr Stephen Smith, fund manager at Brandywine Asset ManageEuropean investors take a wait-and-see approach to \$7bn debut

most European investors will wait and see. They will want to know whether

this is an opportunistic issuance or

whether it is the start of a continuing

flow of indexed bonds which will

Government index-linked bonds are

less liquid than floating-rate issues,

making them less attractive to inves-

tors with a shorter time horizon. UK

index-linked gilts, for example, make

up 17 per cent of government debt but

only about 2 per cent of turnover.

ensure that the market is liquid."

European governments will be watching the debut of index-linked US Treasuries very closely today - but inves-tors in Europe are not expected to buy in large numbers, Edward Luce writes. Investors say the \$7bn issue is pitched more at domestic US institutional investors, such as insurance companies and pension funds.

"There are a couple of European accounts waiting on the sidelines to see if the auction goes well," said Mr Mark Fox, at Lehman Brothers. "But

even end up buying them."

developing this market.

ment. "Mom and Pop may yield curve. This in turn is expected to lead to the devel-The US Treasury has made opment of corporate bond and futures markets.

a long-term commitment to Futures on index-linked Treasuries would substan-"I think that the Treasury is very serious about making tially increase the liquidity this a large component of its of the index-linked market, debt schedule," said Mr Tom by allowing securities firms to hedge their exposure and Lynett, head of government encouraging them to bid bond trading at Merrill Lynch, who believes that in more aggressively at auctime there will be a range of tions, according to traders.

stripped out. But with US inflation worissues with different maturities, creating an index-linked the lack of liquidity of US ries at a low ebb, the timing that the index overstates

are structured in a similar way to equivalent Canadian and Australian indexed bonds. However, unlike index-linked gilts in the UK, they will be subject to tax.

Traders say that the new US bonds

European governments, notably Italy, are strongly considering issuing their own index-bonds pending the outcome of today's auction in the US. "If it is a success, then most of Europe will follow suit within three years,"

index-linked bonds could of the first auction of bonds deter some investors and a that protect against inflation liquidity premium is likely to be priced into the bonds, does not seem ideal. Furthermore, the run-up to the aucsay fund managers. tion has had a few mishaps. In "when-issued" trading The launch had to be postbefore the auction, the inflaponed to give traders more tion-linked bonds were yield-

Mr Fox said.

time to prepare systems. Worse, late last year, a row broke out over the consumer price index, to which the bonds are pegged, when a panel of economists

inflation by more than one percentage point annually. The auction will take place against a backdrop of uncer-tainty over the future of the index - although the Trea sury has said that if there is a fundamental change, it will keep the old index for existing issues. But this may

add a further risk premium. Still, Mr Ray Dalio, president of Bridgewater Associ ates, a bond and currency fund manager, says he like the idea of "an asset with the same return as another asset but lower risk" and one which is in the long-run negatively correlated with ordinary US Treasuries.

Other fund managers are interested but will not rush in. "For something brand new, it's not so obviously cheap that I would want to participate in the first auction]. We'll experiment on paper before we commit our clients' money," said Mr Robert Stricker, head of US fixed income at Citibank Global Asset Management.

Employment cost data lift **US Treasuries**

GOVERNMENT BONDS By Lisa Bransten in New York and Richard Adams and Edward Luce in London

US Treasury prices rallied yesterday as fourth-quarter employment costs came in broadly in line with expectations. The market was also helped by a continued surge in the value of the dollar against the yen and D-Mark. By early afternoon the benchmark 30-year Treasury was 1% stronger at 95%, to yield 6.845 per cent. Twoyear notes were up to 99%, yielding 5.993 per cent. The March 30-year bond future contract climbed 1st to 110%.

The curve that traces the spread between the two-year note and the long bond steepened by 2 basis points to 86 points, amid speculation that the Federal Reserve would not tighten monetary policy at next month's Open Market Committee meeting. Speculation had been building since last week that the employment cost index might have risen by as much as 1 per cent in the fourth

quarter of last year. Such a rise might have prompted the Fed to raise interest rates. When the Labor Department early yesterday reported a rise of 0.8 per cent, bonds immediately becan retracing the ground lost since last week.

Prices were also lifted by the dollar reaching a 47-month high against the yen of Y121.20 and rising to DMI 646 against the D-Mark. In the UK, demand for gilts picked up rapidly following the release of the US data, and after the first gilt auction to be held by the

Bank of England this year.

The Bank said its auction

of £2.5bn of 7.25 per cent gilts, due in 2007, was covered 2.17 times. The auction had a yield tail of one basis point, the distance between the average yield and high-est yield accepted. The price tail was %.

Mr Edmund Nonis, UK economist at Nikko Europe in London, said the auction result was in line with expectations, but that the UK market lacked any impetus to give it independent

On Liffe, the long gilt future March contract settled at 1104, up # from the previous day.

In the cash market, the 10-year benchmark gilt rose å to 100¼, to yield 7.45 per cent, down by four basis points

Italian and Spanish bonds rose in line with US Treasuries. Trading was buoyed by statements by Mr Romano Prodi. Italy's prime minister, that Italy was considering bringing its 1998. budget forward and merging it with this year's mini-

Italian BTP March futures closed up 0.30 at 131.87 on Liffe. Spanish bono futures rose 0.67 to close at 114.35 in Madrid.

"There were indications that Italy might bring structural reforms, such as tackling pension obligations, forward to 1997," said Ms Ros Lifton, international economist at HSBC Markets in London. "This could give new impetus to the convergence process."

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EXCHANGE CROSS RATES ≣=-

German bunds also gained, with bund futures up 0.24 to 101.39. Benchmark 10-year cash bunds rose 0.23 to 101.72, with their yield falling three basis points to

DePfa Bank Europe offers three-year notes

INTERNATIONAL BONDS

By Samer Iskandar

DePfa Bank Europe, a stand-alone subsidiary of Germany's DePfa Bank, tapped the eurobond market for the first time yesterday. The issue of \$200m of

three-year notes will be followed by others from the bank. "We will be paying the market regular visits in the future," said Mr Frank Rühland, group treasurer.

Morgan Stanley, the lead manager, said conditions were ideal for the launch. which took place before the afternoon rally in US Trea-

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

coupon of 6.5 per cent, the bonds will appeal to retail investors, while a favourable swaps market offered an overall funding cost roughly

equal to Libor. The DePfa group's total borrowing programme for this year amounts to the equivalent of \$20bn. a quarter of which will be raised by the new entity. "We are aiming to become more active in non-D-Mark markets

through DePfa Bank Europe," Mr Rühland said. Elsewhere. General Motors Acceptance Corporation said it intended to launch its first global issue,

suries. With a relatively high \$1bn of five-year bonds, pos-

sibly today. Pricing details were not revealed, but Merrill Lynch and J.P. Morgan were appointed joint lead managers. The timing was dictated by "exceptional demand for corporate bonds". GMAC

● Egypt's largest privatesector joint stock investment bank, Commercial International Bank, is expected to start tapping the bond markets soon, after shareholders approved a plan to raise up to E£900m (US\$272m), writes Mark Huband in Cairo. Mr Adel El-Laban, CIB

managing director, recently

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

US DOLLARS 6.50 7.00 (b) (c1)) Morgen Stanley Inti Merrill Lynch Inti CSFB/Salomon Broti SBC Warburg M STEPLING Siemens Capital Corp Abbey National Tray Srvcst M LUXEMBOURG FRANCS Kredietbank Int Finance **Unustred, \$\frac{1}{2}\text{Floating-rate note.} & Semi-annual coupon, R: fixed re-offer price; fees shown at re-offer level. 3) Coupon collable at par after 10 yrs after which pays 6-mith Libor +225bp, b) To Feb 2002, then +75bp if not called at par. Discount margin 3-mith Libor +26.8bp, c1) Callable at par after 10 yrs.c) To be priced today at 3-mith Libor +160-170bp, d) 3-mith Libor +15bp; maximum coupon 10%, s) Short 1st coupon.

stressed that it was unlikely to raise the funds through a single transaction and had until December 1998 to exercise the approval.

ing 3.5 per cent, which is

level with the conventional

Treasury market, if the cur-

rent rate of inflation is

New international bond issues

"The approval does not mean that we are going to be

raising E£900m immediately," he said. "It's unlikely that we will go for a single transaction, unless something very attractive comes up. It's more likely there will be a series of transactions."

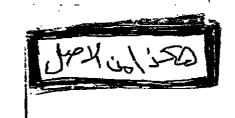
Both fixed and floating rate instruments are expected to be issued, with maturities of three, five and seven years. Up to half the amount could be raised in foreign

	Coupon	Date	Price	change	Yletd	ago	ago	Price	Mar	Apr	May	Jun M	kar Ap	r May	/ Jun
Australia.	6.750	11/06	95.1778	-0.130	7.45	7.46	7.33	10100	0.86	0.66		1.08 0.4			1.59
Austria.	5.625	01/07	98.6600	+0.240			5.93	10150	0.57	0.46		0.87 0.4			1.88 2.19
Belgium Canada *	7.000 7.000	05/06 12/06	108.9300 102.6400	+0.140 +0.760			5.96 6.58	10200 Februari 10	0.35 bi Celle 29	0.31 592 Pure 1		0.68 0.£ bousday's o			
Denmark	8.000		110.4800	-0.800			6.70	CSC 101 IN		JJE 1 000 1			PB1 146. OH		
France BTAN	5.500		104,2776	+0.220			4.72	italy							
OAT Germany Bund	6.500 6.000	10/06	106.6700	+0.420 +0.230			5.81 5.86	NOTICE	NAL ITAL	JAN GO	VT. BONED	(BTP) FU	TURES		
Ireland	8.000		109.4800	+0.480			6.73	(LIFFE	* Lisa 200	an 100ths	s of 100%				
Italy	9.500		115.7700				7.42		Open	Sett pre	ce Chang	e High	Low	Est. vol	Open int.
Japan No 143 No 182	6.300 3.000	09/01 09/05	121.7760 104.4834	-0.130 -0.190			1.42 2.43	Mar	131.32	131.87			131 <i>2</i> 5	62043	110948
Netherlands	5.750		100.4400	+0.260			5.80	Jun	130.75	131.31	+0.27	131.40	130.75	1489	9197
Portugal	9.500		119,2400	+0.430			6.89	E ITALIAN	GOVT. BO	ND (BTP)	FUTURES C	PTIONS (LIF	FE) Lina2001	n 100ths of	100%
Spain Swadon	8.800 8.000	04/06 08/07	114.6200 109.0008	+0.830			5.97 5.94	Strike		с	ALLS			PUTS	
Sweden UK Güts	B.000	12/00	103-12	+4/32			7.37	Price		Mar	Ju	μħ	Mar		Jun
	7.500	12/06	100-10	+9/32	7.45	7.42	7.63	13150		.16	2.0		0.79		2.26
US Treesury *	9.000 6.500	10/08	111 <i>-</i> 08 99-16	+11/32			7.70	13200		9.8B	1.8		1.01		2.50
US Treasury	6.500	10/06 11/26	95-17	+18/32 +26/32			6,34 6.60	13250	_).63 68 Proc *	1.6 197 Project	u sday's oper	1.26		2.79
ECU (French Govt)	7.000		107.6100	+0.540			6.16				Dar 101100	o			
London closing, "New Y					de: Local n	nervez sze	andard.	Spain							
† Gross ûncluding with Prices: US, UK in 32nds			er ceut bela		residents) Source: M	140 man		-	NAL SPAI	MESH BO	ND FUTU	RES (MEFF)		
one on an action						r-corr			Open		ce Change		Low	Est wel	Open int.
US INTERES	T RAT	E\$						Mar	113.37	114.35	-	114,40	113,34	103.141	
			Tetran	BMs and 8	harf Vista			Jun	- 10031	114,22			-		305
Latest	Λ	month	HEBUTY		iona yiela: • year	3	6.01	UK							
Prime rate	8¾, Tve	riinam c		- The	re year		B 13		NAL UK G	ALT FUT	URES ILIF	FE" \$50.00	00 32nds o	f 100%	
Broker loan rate		26 POSÍ)		5.18 Five 5.31 10-1	year		6.33 8.57				ce Change				Oner in
Fed.funds at Intervention	- Om	78ar		5.55 30-			6.65	Mare	Open 110-02	110-21	æ unanga +0-11	9 High 110-26	Low 109-29	102170	Open int. 165586
								Mar Jun	- 10-02	110-21		170-20	103-53	102170	165566 551
									GILT FUT			IFFE) £50,0	00 64ths o	_	
								Strike			ALLS			PUTS	
BOND FUTU	RES A	ND O	PTION	5				Price	Mar	Apr	May	Jun M	lar Api		Jun
								110	1-22	1-28	-	2-06 0-4	-	-	1-62
								111	0-51	0-63	1-22	1-39 1-0	09 1-55	2-14	2-31
								112	0-29	0-41		1-14 1-5			3-06
France								Est vol. loi	z, Cebs 321	55 Puts 18	814. Previou	s day's oper	n int., Calls	33062 Puts	23035
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Sep 126.84	129.18	+0.40					,447 77	Mar	96.32	96.92	+0.26	97.06	96.32	1,281	6,402
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LONG TERM FR Strike Fet	CAI D M. 2 3.9 2 2.6 2 1.7 5 1.6 6 Pus 49,79 MAN BUN Sett price 101.39	1.5 64 65 65 65 65 65 75 75 75 75 75 75 75 75 75 75 75 75 75	Jun 2.90 2.19 1.63 1.10 0.75 Et day's open	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put	0.7 1.4 1.4 1.5 2 174,462 this of 10 col Open	74 03 45 91 91 92 90%	Mar Jun Sep Japan Motio (LIFFE)	Open 109-24 109-08 NAL LONK Y100m 10	Latest 110-27 110-14 108-27	Change 7 +1-02 8 +1-05 7 -	High 110–31 110–14	Low 109-21 109-08 - BOND FU Low 126.25	Est. vol. 237,612 4,032 1,009	471,122 28,604
## LONG TERM FR Strikes	CAI 2 3.5 2 2.6 2 1.7 5 1.6 6 Pas 49,75 MAN BUNI	1.3 32 66 35 66. Previou	Jun 2.90 2.19 1.63 1.10 0.75 Et day's open	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68,497 Pus .000 100s	0.7 1.4 1.4 1.5 2 174,462 this of 10 col Open	74 03 45 91	Mar Jun Sep Japan MOTIO (LIFFE) Mor	Open 109-24 109-08 NAL LONY Y100m 10 Open 126.45 124.89	Latest 110–27 110–14 108–27 G TERM 00ths of Close	Change 7 +1-02 8 +1-05 7 - JAPANES 100% Change	High 110-31 110-14 - SE GOVT. I	Low 109-21 109-08 - BOND FU Low 126.25 124.89	Est. vol. 237,612 4,032 1,009 TURES Est. vol. 2123 100	471,122 28,604 5,625 Open int.
## LONG TERM FR Strike Price Fet 127 3.5: 128 2.5: 129 1.5: 130 0.5: 131 0.00 Est vol. total. Cells 39,30 Gentricany ## NOTIONAL GERI Open Mar 100.98 Jun 99.90	CAI M. 2 3.6 2 1.7 5 1.6 6 Pus 49.7 MAN BUN Sett price 101.39 100.49	1.3	Jun 2.90 2.19 1.63 1.10 0.75 m day's open RES (LIFFE 101.47 100.50	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Pm 600 100h Est. v 28303	0.7 1.4 1.4 1.5 2 174,462 this of 10 col Open	74 03 45 91 91 92 90%	Mar Jun Sep Japan MOTIO (LIFFE) Mor	Open 109-24 109-08 NAL LONY Y100m 10 Open 126.45 124.89	Latest 110–27 110–14 108–27 G TERM 00ths of Close	Change 7 +1-02 8 +1-05 7 - JAPANES 100% Change	Hegh 110–31 110–74 – SE GOVT. I High 126,47 124,89	Low 109-21 109-08 - BOND FU Low 126.25 124.89	Est. vol. 237,612 4,032 1,009 TURES Est. vol. 2123 100	471,122 28,604 5,625 Open int.
LONG TERM FR Strike Fet	CAI M. 2 3.6 2 1.7 5 1.6 6 Pus 49.7 MAN BUN Sett price 101.39 100.49	1.3	Jun 2.90 2.19 1.63 1.10 0.75 Et day's open	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put	0.7 1.4 1.4 1.5 2 174,462 this of 10 col Open	74 03 45 91 91 92 90%	Mar Jun Sep Japan MOTIO (LIFFE) Mor	Open 109-24 109-08 NAL LONY Y100m 10 Open 126.45 124.89	Latest 110–27 110–14 108–27 G TERM 00ths of Close	Change 7 +1-02 8 +1-05 7 - JAPANES 100% Change	High 110–31 110–14 – SE GOVT. I High 126.47 124.89	Low 109-21 109-08 - BOND FU Low 126.25 124.89	Est. vol. 237,612 4,032 1,009 TURES Est. vol. 2123 100	471,122 28,604 5,625 Open int.
## LONG TERM FR Strike Price Fet 127 3.5: 128 2.5: 129 1.5: 130 0.5: 131 0.00 Est vol. total. Cells 39,30 Gentricany ## NOTIONAL GERI Open Mar 100.98 Jun 99.90	CAI M. 2 3.6 2 1.7 5 1.6 6 Pus 49.7 MAN BUN Sett price 101.39 100.49	1.3	Jun 2.90 2.19 1.63 1.10 0.75 m day's open RES (LIFFE 101.47 100.50	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Pm 600 100h Est. v 28303	0.7 1.4 1.4 1.5 2 174,462 this of 10 col Open	74 03 45 91 91 92 90%	Mar Jun Sep Japan MOTIO (LIFFE) Mor	Open 109-24 109-08 NAL LONY Y100m 10 Open 126.45 124.89	Latest 110–27 110–14 108–27 G TERM 00ths of Close	Change 7 +1-02 8 +1-05 7 - JAPANES 100% Change	Hegh 110–31 110–74 – SE GOVT. I High 126,47 124,89	Low 109-21 109-08 - BOND FU Low 126.25 124.89	Est. vol. 237,612 4,032 1,009 TURES Est. vol. 2123 100	471,122 28,604 5,625 Open int.
## LONG TERM FR Strike Price Fet 127 3.5: 128 2.5: 129 1.5: 130 0.5: 131 0.00 Est vol. total. Cells 39,30 Gentricany ## NOTIONAL GERI Open Mar 100.98 Jun 99.90	CAI M. 2 3.5 2 2.6 5 1.6 5 0.5 68 Pass -9,7 1 101.39 100.49	1.3 37 34 35 35 36. Previou Chang +0.24	Jun 2.90 2.19 1.63 1.10 0.75 a day's open 101.47 100.50	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Pm 600 100h Est. v 28303	0.7 1.4 1.4 1.5 2 174,462 this of 10 col Open	74 03 45 31	Mar Jun Sep Japan Morto (LFFE) Mor	Open 109-24 109-08 NAL LONY Y100m 11 Open 126.45 124.69 ms disc ta	Larest 110-27 110-14 108-27 3 TERM 00ths of Close	Change 7 +1-02 8 +1-05 7 - JAPANES 100% Change	Hegh 110–31 110–74 – SE GOVT. I High 126,47 124,89	Low 108-21 109-08 BOND PU Low 126-25 124-89	Est. vol. 237,612 4,032 1,009 TURES Est. vol. 2123 100	471,122 28,604 5.625 Open int. n/a n/a
## LONG TERM FR Strike Price Fet 127 3.5: 128 2.5: 129 1.5: 130 0.5: 131 0.00 Est vol. total. Cells 39,30 Gentricany ## NOTIONAL GERI Open Mar 100.98 Jun 99.90	CAI M. 2 3.5 2 2.6 5 1.6 5 0.5 68 Pass -9,7 1 101.39 100.49	1.3	Jun 2.90 2.19 1.63 1.10 0.75 a day's open 101.47 100.50	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Pm 600 100h Est. v 28303	0.7 1.4 1.4 1.5 2 174,462 this of 10 col Open	74 03 45 31	Mar Jun Sep Japan MOTIO (LIFFE) Mor	Open 109-24 109-08 NAL LONY Y100m 11 Open 126.45 124.69 ms disc ta	Latest 110–27 110–14 108–27 G TERM 00ths of Close	Change 7 +1-02 8 +1-05 7 - JAPANES 100% Change	High 110–31 110–14 SE GOVT. I High 126,47 124,88 anterest figs	Low 109-21 109-08 BOND FU Low 126-25 124-89	Est. vol. 237,612 4,032 1,009 TURES Est. vol. 2123 100	471,122 28,504 5.625 Open int. n/a
Strikes Price Fet 127 3.5: 128 129 1.5: 130 0.5: 131 0.00 Est. vol. total. Celts 39.5: Germany NOTIONAL GERI Open Mar 100.98 Jun 99.90 UK GILTS F	CAI 2 3.1 2 2.6 2 1.7 5 1.6 5 0.8 8 Pas 49,7 MAN BUN Sett price 101.39 100.49 PRICES Tried in Receivers	1.3 37 36 56 57 58 67 68 68 68 68 68 68 68 68 68 68 68 68 68	Jun 2.90 1.63 1.10 0.75 s day's open High 101.47 100.50	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Pm 600 100h Est. v 28303	0.7 1.6 1.4 1.5 2 174,462 2 174,462 2 174,462 3 72 3 72	74 03 45 97 00% n int. 2454 264	Mar Jun Sep Japan Morto (LFFE) Mor	Open 109-24 109-08 NAL LONY Y100m 11 Open 126.45 124.69 ms disc ta	Larest 110–27 110–14 108–27 G TERM 00ths of Close ded on Af	Change / +1-02 / +1-05 / -1 JAPANET 100% Change PT. All Open	High 110-31 110-14 SE GOVT. I High 126,47 124,88 interest figs	Low 108-21 109-08 BOND FU Low 126-25 124-89	Est. vol. 237.612 4,032 1,009 TURES Est. vol. 2123 100 evous day.	471,122 28,604 5.625 Open int. n/a n/a
Strikes Fet Strikes Fet 127 3.5. 128 2.5. 129 1.5. 130 0.5. 131 0.00 Est vol. tonal. Calls 39.95 Gent That Ty NOTIONAL GERI Open Mar 100.98 Jun 99.90 UK GILTS F	CAN D MA	1.3 ar 1.4 ar 1.5 ar 1.	Jun 2.90 2.19 1.63 1.10 0.75 a day's open Gay's open 101.47 100.50	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.467 Put 68.467 Put 2830X 1575	0.7 1.6 1.4 1.5 2 174,462 the of 10 Col Open 39 222 3 72	74 03 45 91 91 00% n int. 2454	Mar Jun Sep Japan Morto (LFFE) Mor Jun - LFFE futs Red Procs	Open 109-24 109-08 NAL LONN Y100m 11 Open 126-5 124-89 ms 430 tra	Larest 110-27 110-14 108-27 108-27 Close ded on AF	Change 1 +1-05 1 +1-05 1 JAPANES 100% Change 7T. All Open	High 110-31 110-14 SE GOVT. I High 126.47 124.89 Interest figs	Low 109-21 109-08 BOND FUT Low 126-25 124-89 . are for pro	Est. vol. 237.612 4,032 1,009 TURES Est. vol. 2123 100 2	471,122 28,604 5,625 Open int. n/a n/a
Strikes Price Fet 127 3.5: 128 129 1.5: 130 0.5: 131 0.00 Est. vol. total. Celts 39.5: Germany NOTIONAL GERI Open Mar 100.98 Jun 99.90 UK GILTS F	CAN D MA	1.3 FUTUI Chang +0.24 +0.24	Jun 2.90 2.19 1.63 1.10 0.75 a day's open 1.101.47 100.50	Feb	Mar 0.03 0.10 0.24 0.53 1.53 1.53 68.497 Pus 56L v 2830C 1575	0.7 1.4 1.4 1.4 174,462 this of 10 this of 10 Open 39 222 6 72	74 03 45 91 91 0096 n int. 2454 264	Mar Jun Sep Japan Morio (LIFFE) Mor Jun - LIFFE futs Red Prices: 7.45 100-3	Open 109-24 109-08 NAL LONN Y100m 11 Open 126.45 124.89 ms also tra	Larest 110–27 110–14 108–27 G TERM Offis of Close ded on Af	Change 7 +1-02 8 +1-05 7 - JAPANET 100% Change 77. All Open Page 101 Page 111 Page 1	High 110-31 110-14 SE GOVT. I High 126.48 interest figs	Low 108–21 109–08 BOND FU Low 126,25 124,89 Lare for pri	Est. vol. 237.612 4,032 1,009 TURES Est. vol. 2123 100 2	471,122 28,604 5.625 Open int. n/a n/a 1143, 111,3 1861 1764, 1823, 1713
Strikes Price Fet 127 3.5: 128 129 1.5: 130 0.5: 131 0.0: Est vol. toust. Cells 39.3: Gertmany NOTIONAL GERI Deri Mar 100.98 Jum 99.90 UK GILTS I Roles 1997 Tress Car Tye 1997 Tress Sup 1997 Tress Sup 1997 Tress Sup 1997	CAN M. 2 3.5 2 2.6 2 2.6 5 1.6 5 0.5 6 Pats 49,71 101.39 100.49 2 101.39 100.49 100	1.3 37 14 15 16 16 15 16 10 10 10 10 10 10 10 10 10 10	Jun 2.90 1.63 1.10 0.75 s day's open 101.47 100.50 107.3 107	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 561. v 2930X 1575 57120C 2006 57120C 2006	0.7 1.6 1.4 1.9 174,62 this of 10 Open 39 222 72 Notes	744 333 445 45 45 45 45 45 45 45 45 45 45 45 45	Mar Jun Sep Japan Morto (LFFE) Mor Jun - LFFE Int. Hed Press - 1745 100% 7 46 10137 7 47 10237 7 25 121245	Open 109-24 109-08 NAL LONN Y100m 11 126.45 124.89 ms also tra 126.45 45 1075 45 1075 46 1075 47 1075 48 1075 48 1075	110–27 110–14 108–27 110–154 108–27 3 TERM Offiss of Close ded on Af sect 109 94,1 in 96,3	Change 1-02 1-1-05 1-05 1-05 1-05 1-05 1-05 1-05 1-	High 110-31 110-14 110-14 SE GOVT. I High 126A7 124.88 interest figs Notes	Low 108–21 109–08 BOND FU Low 126,25 124,89 Lare for pro	Est. vol. 237.612 4,032 1,009 TURES Est. vol. 2123 100 2	471,122 28,604 5.625 Open int. n/a n/a 1143, 111,3 1861 1764, 1823, 1713
■ LONG TERIM FR Strikes ————————————————————————————————————	CAN MAN BUNN Sett process 101.39 100.49 PRICES 1047 65:697 61:697 65:697 61:697 65:697	Protect 100 10	Jun 2.90 1.63 1.10 0.75 s day's open 101.47 100.50 1073 1073 1073 1073 1073 1073 1073 107	Feb	Mar 0.03 0.10 0.24 0.53 1.53 1.53 68.497 Pus 56L v 29303 1575 57½00 2003 57½00 2003 57½00 2003 68½00 2003 68½00 2003 68½00 2003 68½00 2003 68½00 2003	0.7 1.6 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	748 756 748 759 752 752 752 752 752 752 752 752 752 752	Mar Jun Sep Japan NOTIO (LIFFE) Mor Jun - LIFFE Inta Red Prices - 7.45 109% 7.46 101% 7.37 102% 7.37 102% 7.37 102% 7.37 102% 7.37 102%	Open 109-24 109-08 109-08 NAL LONN Y100m 11 126.45 124.49 124.45 143.1033 144.1033 154.1033	Larest 110–27 110–14 108–27 G TERM 00ths of Close ded on Af Low 96,3 4 101,6 115%	Change + 1-02 + 1-05 - 1-05 JAPANET 100% Change T. All Open T. All Open The 100 to 100 The 200 The 2	High 110-31 110-14 110-14 110-14 110-14 High 126A7 124.88 interest figs Notes	Low 109-21 109-08 109-08 EONED FUT Low 126-25 124-89 are for professor 125 125 125 125 125 125 125 125 125 125	Est. vol. 237.612 4,032 1,009 TURES Est. vol. 2123 100 2	471,122 28,604 5.625 Open int. n/a n/a 1143, 111,3 186 1744 1824, 1712 1823, 1712 1821, 1712 1823, 1712
Strikes Price Fet 127 3.5: 128 129 1.5: 130 0.5: 131 0.0: Est vol. toust. Cells 39.3: Gertmany NOTIONAL GERI Deri Mar 100.98 Jum 99.90 UK GILTS I Roles 1997 Tress Car Tye 1997 Tress Sup 1997 Tress Sup 1997 Tress Sup 1997	CAN M. 2 3.5 2 2.6 2 2.6 2 2.6 2 5.6 1.6 5 5 0.5 8 Pats 49,7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1.3 Fred S 100	Jun 2.90 1.63 1.10 0.75 a day's open 101.47 100.50 1073 1174 1175 1175 1175 1175 1175 1175 1175	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Pus 58t. v 28305 1575 574pc 200 5 74pc 200 5 8pc 200 6 8pc 200 6 8pc 200 6 9pc 20	0.7 1.6 1.4 1.5 2 174,462 this of 10 col Opes 39 222 3 72 Motes \$\frac{1}{2}\$ \$	74 313 315 317 317 317 317 317 317 317 317 317 317	Mar Jun Sep Japan NOTIO (LFFE) Mar Aun - LIFFE Inc. TAS 100% 746 101% 737 102% 749 107% 749 107% 753 111%	Open 109-24 109-08 109-08 109-08 109-08 109-08 109-09 126-5 124-5 124-5 109-4	110–27 110–14 108–27 108–27 G TERM 00ths of Close - ded on Af 109 96 107 107 103	Change + 1-02 + 1-05 JAPANET 100% Change T. All Open T. All Open There 04#	High 126.47 124.88 interest figs 1.78 2	Low 108–21 109–08 HOND FUT Low 126,25 124,89 133 134 132 131 131 132 131 132 131 132 131 132 131 132 131 132 133 132 132	Est. vol. 237.612 4,032 1,009 TURES Est. vol. 2123 100 2100 2100 2100 2100 2100 2100	471,122 28,604 5,625 Open int. n/a n/a 1141, 111, 111, 111, 111, 111, 111, 111
## LONG TERM FR Strike Price Fet 127 3.5 128 2.5 129 1.5 130 0.5 131 0.0 Est vol. touch Calls 39,90 Gent Thairy NOTIONAL GERI Open Mar 100.98 Jun 99.90 **UK GILTS F tibles Shorte** (Lives up to Five Yi Each 101-3pc 1997 Treas Car 7pc 1997 Treas Car 7pc 1997 Treas Car 7pc 1997 Treas 1-3pc 1997 Treas 1-3pc 1998	CAN BUND Sett price 101.39 101.39 FIG SS 7 ind 119.47 6.57 6.67 6.57 7.18 6.41 1.18 1.18 1.19 1	Price 5 : 100% :	Jun 2.90 2.19 1.63 1.10 0.75 1.63 1.10 0.75 1.63 1.10 1.63 1.63 1.63 1.63 1.63 1.63 1.63 1.63	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 55L v 29302 1575 575 580 2002 11 lipe 200 18 lipe 200 1	0.7 1.6 1.4 1.9 174,62 174,62 174,63 174,63 174,63 174,63 174,63 174,63	74 33 45 57 7 57 57 57 57 57 57 57 57 57 57 57	Mar Jun Sep Japan NOTIO (LIFFE) Mor Jun - LIFFE Int. 1013 7.45 1003 7.45 1003 7.47 1073 7.20 121 7.21 127 7.21 107 7.25 107	Open 109-24 109-08 109-08 NAL LONG Y100m 11 Open 126-5 124-89 ms also tra 124-89 ms also	Larest 110-27 110-14 108-27 108-27 Close Close	Change 1-02 1-1-05 JAPANIES 100% Change Change T. All Open PT. All Ope	High 110-31 110-14 110-14 110-14 110-14 110-14 110-14 110-14 126-47 124-88 140-15-8	Low 109-21 109-08 109-08 ECNED FU Low 126-25 124.89 . are for pro 198-20 133 1 19 133 135 135 135 135 135 135 135 135 135	Est. vol. 237.612 4,032 1,009 TURES Est. vol. 2123 100 100 100 100 100 100 100 100 100 10	471,122 28,604 5.625 Open int. n/a n/a 1143, 111-3, 186 176-4, 1823, 1713, 173, 167-3, 173, 167-3, 173, 167-3, 173, 167-3, 173, 167-3, 173, 167-3, 173, 173, 167-3, 173, 173, 173,
## LONG TERIM FR Strikes	CAN M. 2 3.5 2 2.6 2 2.6 2 2.6 2 5.6 1.6 5 5 0.5 8 Pats 49,7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Price E - 1004 1105 1113 1113 1113 1113 1113 1113 1113	Jun 2.90 2.19 1.63 1.10 0.75 1.63 1.10 0.75 1.63 1.10 1.63 1.63 1.63 1.63 1.63 1.63 1.63 1.63	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 551 Vac 200 5 7 Vac 200 6 8 Vac 200 8	0.7 1.6 1.6 1.7 1.9 174.462 hs of 10 Open 39 2222 3 72 Motes ##	74 8 756 4 766 7.92 8.09 7.92 8.09 7.92 8.09 7.98	Mar Jun Sep Japan Morro (LFFE) Mor Jun - LFFE Mrs 100% 7.45 100% 7.37 102% 7.37 111% 7.31 111% 7.37 103% 7.55 103% 7	Open 109-24 109-08 109-08 NAL LONN Y100m 11 126.45 124.49 ms abo tra 126.45 41 1014 41 1014 41 1121 43 1081 44 1121 45 1081 45 1081 46 881	110–27 110–14 108–27 110–14 108–27 3 TERM Othris of Close ded on Af 108 94,1 has 107 1154, 1 107 1154, 2 1154, 2 1154, 2	Change +1-05 1-105	High 110-31 110-14 110-14 110-14 110-14 110-14 110-14 110-14 126-47 124-88 140-15-8	Low 109-21 109-08 109-08 EONED FUT 126-25 124.89 . are for pro 126-23 123 123 123 123 123 123 123 123 123 1	Est. vol. 237.612 4,032 1,009 100 2123	471,122 28,504 5.625 Open int. n/a n/a 1741 1142 1165 1674 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1773 1674 1773 1773 1773 1773 1773 1773 1773 17
## LONG TERIM FR Strikes	CAN M. 2 3.5 2 2.6 5 1.6 5 0.5 6 Pars 49,7 1 1 10 1 5 5 7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1.3 Fries 5 1 1054 1 1054 1 1053 1 10	Jun 2.90 2.19 1.63 1.10 1.63 1.10 1.63 1.10 1.63 1.10 1.63 1.11 1.10 1.10 1.10 1.10 1.10 1.10 1.1	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 55L v 29302 1575 575 580 2002 11 lipe 200 18 lipe 200 1	0.7 1.6 1.6 1.7 1.9 174.462 hs of 10 Open 39 2222 3 72 Motes ##	74 33 45 57 7 57 57 57 57 57 57 57 57 57 57 57	Mar Jun Sep Japan NOTIO (LIFFE) Mor Jun - LIFFE Int. 1013 7.45 1003 7.45 1003 7.47 1073 7.20 121 7.21 127 7.21 107 7.25 107	Open 109-24 109-08 109-08 NAL LONG Y100m 11 Open 126-5 124-89 ms also tra 124-89 ms also	110–27 110–14 108–27 110–14 108–27 3 TERM Othris of Close ded on Af 108 94,1 has 107 1154, 1 107 1154, 2 1154, 2 1154, 2	Change +1-05 1-105	High 110-31 110-14 110-14 110-14 110-14 110-14 110-14 110-14 126-47 124-88 140-15-8	Low 108–21 109–08 109–08 109–08 126,29 124,29 131 123 141 1230 132 141 1230 132 133 133 142 133 133 133 143 133 143 133 133 143 133 13	Est. vol. 237.612 4,032 1,009 100 2123	471,122 28,504 5.625 Open int. n/a n/a 1741 1142 1165 1674 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1674 1773 1773 1674 1773 1773 1773 1773 1773 1773 1773 17
■ LONG TERIM FR Strikes Price Fet 127 3.5 128 2.5 129 1.5 130 0.5 131 0.0 Est vol. total. Calls 39,9 Gent Thalary ■ NOTIONAL GERS 100.98 Jum 99.90 UK GILTS : Note	CAN M. 2 2 2.6. 2 2.6. 2 2.6. 2 5. 1.6 5 5 0.5 8 Pats 49,7: 101.39 100.49 Pat 107.39 100.49	Price 2 : 100½ :	Jun 2.90 2.19 1.63 1.10 0.75 0.63/e open 0.75 0.75 0.75 0.75 0.75 0.75 0.75 0.75	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 551 Vac 200 5 7 Vac 200 6 8 Vac 200 8	0.7 1.6 1.6 1.7 1.9 174.462 hs of 10 Open 39 2222 3 72 Motes ##	74 8 756 4 766 7.92 8.09 7.92 8.09 7.92 8.09 7.98	Mar Jun Sep Japan Morro (LFFE) Mor Jun - LFFE Mrs 100% 7.45 100% 7.37 102% 7.37 111% 7.31 111% 7.37 103% 7.55 103% 7	Open 109-24 109-08 109-08 NAL LONN Y100m 11 126.45 124.49 ms abo tra 126.45 41 1014 41 1014 41 1121 43 1081 44 1121 45 1081 45 1081 46 881	110–27 110–14 108–27 110–14 108–27 G TERM Offis of Close ded on Af 107 107 107 107 108 1104 21 104 105 21 104 2	Change +1-02 +1-05 +1-05 JAPANET 100% Change Change T. All Open T	High 110-31 110-14 110-14 110-14 110-14 110-14 High 1264.89 124.89 124.89 125.	Low 108–21 109–08 109–08 109–08 109–08 126–126 124.99 126–123 127 127 127 127 127 127 127 127 127 127	Est. vol. 237.612 4,032 1,009 100 100 100 100 100 100 100 100 100	471,122 28,604 5.625 Open int. n/a n/a 1143 1113 165 1764 1823 1713 1713 1873 1873 1881 1891 183 1891 183 1891 183 1891 183 1891 183 1891 183 1891 183 1891 183 1891 183 1891 183 1891 1893 1891 1893 1893 1893 1894 1893 1894 1893
## LONG TERIM FR Strikes	CAN M. 2 3.5 2 2.6 5 1.6 5 0.5 6 Pars 49,7 1 1 10 1 5 5 7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1.3 Fred St. Previous Change +0.24 +0.24 +0.24 10012 10012 11013 1	Jun 2.90 2.18 1.63 1.10 0.75 2.18 1.63 1.10 0.75 2.10 2.10 2.10 2.10 2.10 2.10 2.10 2.10	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put Est. v 29.30X 1575 57 Put 200 5 Put 200 5 Put 200 5 Put 200 6 Put 2	0.7 1.6 1.6 1.7 1.9 174.462 hs of 10 Open 39 2222 3 72 Motes ##	74 8 756 4 766 7.92 8.09 7.92 8.09 7.92 8.09 7.98	Mar Jun Sep Japan Morro (LFFE) Mor Jun - LFFE Mrs 100% 7.45 100% 7.37 102% 7.37 111% 7.31 111% 7.37 103% 7.55 103% 7	Open 109-24 109-08 109-08 NAL LONN Y100m 11 126.45 124.49 ms abo tra 126.45 41 1014 41 1014 41 1121 43 1081 44 1121 45 1081 45 1081 46 881	110–27 110–14 108–27 110–14 108–27 G TERM Offis of Close	Change +1-02 +1-05 +1-05 JAPANET 100% Change Change T. All Open T	High 110-31 110-14 110-	Low 108–21 109–08 109–08 109–08 126–25 124,89 1,33 1,33 1,33 1,33 1,33 1,33 1,33 1,3	Est. vol. 237.612 4,032 1,009 TURES Est. vol 2123 100 two.s day. 1145 + 15 1181 + 15 1171 + 15	471,122 28,604 5.625 Open int. n/a n/a 1141, 111, 166 1764, 111, 167 1764, 161, 167 1764, 161, 1764, 161, 1764
ELONG TERIM FR Strikes Price Fet 127 3.5 128 2.5 128 1.5 130 0.5 131 0.0 Est vol. tonol. Calls 39,95 Gent Thickery NOTIONAL GERI Open Mar 10.0.98 Jun 99.90 EUK GILTS F Ideas By te Rive Ye Each 101-ye 1997 Imaa Car Pre 1998 Imaa Sp 1999 Imaa Sp	CAN MAN BUNI Sett price 101.39 107.49 118.5 6.6 6.7 6.11 1101 6.5 6.7 6.11 1101 6.11 1101 6.5 6.7 6.11 1101 6.11 1101 6.5 6.7 6.11 1101 6.11	Price : 10013 10013	Jun 2.90 2.19 1.63 1.10 0.75 2.19 1.63 1.10 0.75 2.19 1.63 1.10 1.10 2.10 2.10 2.10 2.10 2.10 2.10	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 55L v 29502 574pc 200 5 74pc 200 5 8pc 200 2 114pc 200 2 8pc 200 3	0.7 1.6 1.6 1.7 1.6 1.7 1.6 1.7 1.6 1.7 1.6 1.7 1.6 1.7 1.6 1.7 1.6 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7	74 8 756 4 766 7.92 8.09 7.92 8.09 7.92 8.09 7.98	Mar Jun Sep Japan Morro (LFFE) Mor Jun - LFFE Mrs 100% 7.45 100% 7.37 102% 7.37 111% 7.31 111% 7.37 103% 7.55 103% 7	Open 109-24 109-08 109-08 NAL LONN Y100m 11 126.45 124.49 ms abo tra 126.45 41 1014 41 1014 41 1121 43 1081 44 1121 45 1081 45 1081 46 881	110-27 110-14 108-27 110-14 108-27 3 TERM Others of Close ded on Af 200	Change 1-02 1-1-05 1APANIES 100% Change Change T. All Open 1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	High 110–31 110–14 110–	Low 109-21 109-08 109-08 109-08 109-08 109-08 126-25 124-89 129-147 12	Est. vol. 237.612 4.032 1.009	471,122 28,604 5.625 Open int. n/a n/a 1825 1764 1825 1713 189 124 1825 1713 1875 1875 1773 1875
## LONG TERIM FR Strikes	CAM O M O M O M O M O S O S O S O	1.3 Fig. 1.3	Jun 2.90 2.19 1.63 1.10 1.63 1.10 1.63 1.10 1.63 1.10 1.63 1.11 1.63 1.10 1.63 1.10 1.11 1.10 1.10 1.10 1.10 1.10 1.1	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 68.497 Put 551 Vac 2930X 7575 57 Vac 2930X 7575 58 Vac 2003 58 Vac 2004 58 Vac 2004	0.7 1.6 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	748 1554 1664 1746 1746 1746 1746 1746 1746 174	Mar Jun Sep Japan Morto (LIFFE) Mor Jun - LIFFE Mrs Red Prizes - 7.45 100% 746 101% 747 102% 747 107% 753 111% 7.57 103% 7.53 111% 7.57 103% 7.53 111% 7.57 103% 7.53 111% 7.55 111%	Open 109-24 109-08 109-08 NAL LONN Y100m 11 Open 126.45 124.69 136.41 13	110-27 110-14 108-27 110-14 108-27 G TERM Others of Close code on Afficiation of Close code on Afficiat	Change 1-02 1-1-05 1-1-	High 110–31 110–14 110–	Low 108–21 109–08 109–08 109–08 109–08 126.25 124.89 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	Est. vol. 237.612 4.032 1.009 TURES Est. vol. 2123 1.009 1145 + 15.100	471,122 28,604 5.625 Open int. n/a n/a 1141, 111, 166 1764, 111, 167 1764, 161, 167 1764, 161, 1764, 161, 1764
## LONG TERIM FR Strikes	CAN MAN BUNI Sett price 101.39 107.49 118.5 6.6 6.7 6.11 1101 6.5 6.7 6.11 1101 6.11 1101 6.5 6.7 6.11 1101 6.11 1101 6.5 6.7 6.11 1101 6.11	1.3 Free 5 1 105 1	Jun 2.90 2.19 1.63 1.10 2.19 1.63 1.10 0.75 0.75 0.75 0.75 0.75 0.75 0.75 0.7	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 55L v 29502 574pc 200 5 74pc 200 5 8pc 200 2 114pc 200 2 8pc 200 3	0.7 1.6 1.4 1.5 174.462 this of 10 col Open 39 2222 3 72 Motes \$\frac{1}{2}\$ \$	74 8 756 4 766 7.92 8.09 7.92 8.09 7.92 8.09 7.98	Mar Jun Sep Japan Morro (LFFE) Mor Jun - LFFE Mrs 100% 7.45 100% 7.37 102% 7.37 111% 7.31 111% 7.37 103% 7.55 103% 7	Open 109-24 109-08 109-08 NAL LONN Y100m 11 126.45 124.49 ms abo tra 126.45 41 1014 41 1014 41 1121 43 1081 44 1121 45 1081 45 1081 46 881	110-27 110-14 108-27 110-14 108-27 G TERM Others of Close code on Afficiation of Close code on Afficiat	Change +1-02 +1-05 +1-05	High 110–31 110–14 110–	Low 108–21 109–08 109–08 109–08 109–08 126.25 124.89 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	Est. vol. 237.612 4.032 1.009 TURES Est. vol. 2123 1.009 1145 + 15.100	471,122 28,604 5.625 Open int. 1/2 1/4 1/4 111, 166 1/64 1/6
ELONG TERIM FR Strikes Price Fet 127 3.5 128 2.5 129 1.5 130 0.5 131 0.0 Est vol. total. Calls 39,9 Gentricatry NOTIONAL GERI Mar 100.98 Jum 99.90 UK GILTS Butter (Lives up to Five Vi Each 10-pc 1997 Treas Car 7pc 1997 Treas 1998 Tress 7-Jup 1999 Tr	CAN MAN BUNN Sett Price 101.39 100.49 PRICE SE Tried	1.3 FIGURE 1 100 1	Jun 2.90 2.19 1.63 1.63 1.10 1.75 cm (JFF) m (Gay's open m 101.47 100.50 m (JFF) m (Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 551. v 29300 1000 157. v 157. v 157	0.7 1.6 1.6 1.7 1.6 1.7 1.6 1.7 1.6 1.7 1.6 1.7 1.6 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7	74 3454 761 748 761 748 8.09 774 7.56 8.09	Mar Jun Sep Japan NOTIO (LIFFE) Mar Jun - LIFFE Max 1093 745 1093 747 10	Open 109-24 109-08 109-08 109-08 109-08 109-08 126-59 126-59 109-24 109-	27 10 27 110 - 14 108 - 27 110 - 14 108 - 27 108 - 27 108 108 108 108 108 108 108 108 108 108	Change 1-02 1-1-05 1-1-	High 110–31 110–14 110–	Low 108–21 109–08 109–08 109–08 109–08 126.25 124.89 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	Est. vol. 237.612 4.032 1.009 TURES Est. vol. 2123 1.009 1145 + 15.100	471,122 28,604 5.625 Open int. 1/2 1/4 1/4 111, 166 1/64 1/6
## LONG TERIM FR Strikes	CAN MAN BUNN 2 2 2.6 2 2.1 2 2 1.7 5 1.6 5 0.8 8 Pass 49,7 6 8 Pass 49,7 100.49 100.49 100.49 100.49 100.49 11.6 101.3 101.4 1	1.3 Franco Change + 0.24 + 0.2	Jun 2.90 2.19 1.63 1.10 1.63 1.10 1.63 1.10 1.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 10	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 68.497 Put 551_v 28302 1.575 574_pc 200 5 74_pc 200 5 80; 200 6 81_pc 200	0.7 1.6 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	74 133 15 15 15 15 15 15 15 15 15 15 15 15 15	Mar Jun Sep Japan NOTIO (LIFFE) Mor Jun - LIFFE Mrs. 1003 745 1003 747 1073 757 1073 758 1074 757 1073 758 1074 757 1073 758 1074 757 1073 758 1074 759	Open 109-24 109-08 109-08 NAL LONN Y100m 11 126-05 124-89 128-8 12	110-27 110-14 108-27 110-14 108-27 3 TERM Others of Close odd on Af	Change 1-02 1-1-05 1-1-	High 110–31 110–14 110–	Low 108–21 109–08 109–08 109–08 109–08 126.25 124.89 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	Est. vol. 237.612 4.032 1.009 TURES Est. vol. 2123 1.009 1145 + 15.100	471,122 28,604 5.625 Open int. 1/2 1/4 1/4 111, 166 1/64 1/6
ELONG TERIM FR Strikes Price Fet 127 3.5 128 2.5 129 1.5 130 0.5 131 0.0 Est vol. total. Calls 39,9 Gentricatry NOTIONAL GERI Mar 100.98 Jum 99.90 UK GILTS Butter (Lives up to Five Vi Each 10-pc 1997 Treas Car 7pc 1997 Treas 1998 Tress 7-Jup 1999 Tr	CAN MAN BUNN Sett Price 101.39 100.49 PRICE SE Tried	1.3 Fred S 100 k 1	Jun 2.90 2.19 1.63 1.63 1.10 1.75 cm (JFF) m (Gay's open m 101.47 100.50 m (JFF) m (Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 561. v 29302 37 Apc 200 5 7 Apc 200 5 8 Pc 2002 4 11 Apc 200 5 8 Pc 2002 4 12 Apc 200 5 8 Pc 2002 5 8 Pc 2002 5 8 Pc 2003 5 7 Apc 200 5 8 Pc 2003 5 7 Apc 200 5 8 Pc 2003 5 7 Apc 200 5 8 Pc 2003 5 7 Apc 2003 5 7 Apc 2003 5 8 Pc 2003 6 8 Pc 2003 6 8 Pc 2003 6 8 Pc 2003 7 8 Pc 2003 7 8 Pc 2003 8 Pc 2	0.7 1.6 1.4 1.5 174.462 this of 10 col Open 39 2222 3 72 Motes \$\frac{1}{2}\$ 19-7	748 151 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Mar Jun Sep Japan NOTIO (LIFFE) Mar Jun Sep Mar Jun Sep Mar Jun Sep Mar Jun Sep 10747 10747 10747 10747 10747 10747 10747 10747 10747 10747 1174 1174	Open 109-24 109-08 109-08 109-08 NAL LONN Y100m 11 126-5 124-89 1	110-27 110-14 108-27 110-14 108-27 Close Close	Change 1-02 1-1-05 1-1-	High 110–31 110–14 110–	Low 108–21 109–08 109–08 109–08 109–08 126.25 124.89 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	Est. vol. 237.612 4.032 1.009 TURES Est. vol. 2123 1.009 1145 + 15.100	471,122 28,604 5.625 Open int. 1/2 1/4 1/4 111, 166 1/64 1/6
## LONG TERIM FR Strikes	CAN MAN BUNN 2 2 2.6 2 2.1 2 2 1.7 5 1.6 5 0.8 8 Pass 49,7 6 8 Pass 49,7 100.49 100.49 100.49 100.49 100.49 11.6 101.3 101.4 1	1.3 Franco Change + 0.24 + 0.2	Jun 2.90 2.19 1.63 1.10 1.63 1.10 1.63 1.10 1.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 101.47 100.50 10	Feb	Mar 0.03 0.10 0.24 0.53 1.01 68.497 Put 58.497 Put 58.497 Put 58.497 Put 58.497 Put 58.2005	0.7 1.4 1.5 1.5 174.462 bis of 10 Opening 2222 3 72 Molese ##	74 313 315 317 315 317 317 317 317 317 317 317 317 317 317	Mar Jun Sop Japan Morto (LIFFE) Mor Jun - LIFFE Mrs Morto (LIFFE) Mor Jun - LIFFE Mrs 1093 745 1093 747 1073 11114 7.51 11113 111113 11113 11113 11113 111111	Open 109-24 109-08 109-08 NAL LONN Y100m 11 Open 126.49 12	110-27 110-14 108-27 1108-27 G TERM Offis of Close	Change +1-02 +1-05 +1-05 JAPANIES 100% Change T. All Open T. All	High 110–31 110–14 110–	Low 108–21 109–08 109–08 109–08 126.25 124.89 126.25 127.34 127.3	Est. vol. 237.612 4.032 1.009 TURES Est. vol. 2123 1.009 1145 + 15.0000	471,122 28,604 5.625 Open int. 1/2 1/4 1/4 111, 166 1/64 1/6

- 45% - 45% - 82% - 37% - 32% - 31%

Price Indices UK Clitta	Tue Jen 26	Chonge %	Mon Jan 27	Accrued interest	xdadīj. ytd								— High Jan 28		
1 Up to 5 years (20)	121.43	0.09	121,42	2.72	0.86	5 yrs	7.10	7.14	6.87	7.15	7.19	6.91	7.20	7.23	6.90
2 5-15 years (21)	149.97	0.25	149.59	2.32	1.09	15 yrs	7.62	7.68	7.69	7.62	7.66	7.73	7.51	7.50	7.8
3 Over 15 years (6)	170.11	0.36	170.38	4.00	1.00	20 yrs	7.70	7.75	7.80	7.68	7.71	7.82	7.52	7.51	7.8
4 Irredeemables (5)	194.54	0.13	194.29	2.35	1,00	· Irred.† · ·	7.78	7.79	7.87 ·	- -	-				÷.,
5 All stocks (53)	144.74	0.21	144.63	2.82	1.00						-				•
							îr	aflation :	5%		ind	lation 1	%0		
index-linked							Jan 2	8 Jan 2	7 Yr. ag	0	Jerr 2	B Jeen 2	7 Yr. ag		_
6 Up to 5 years (2)	205.01	0,09	204.83	1.95	0.00	Up to 5 yrs	3.19	5 3.16	2.46		2.44	2.48	1.21		
7 Over 5 years (10)	195.27		194.86	1.19	1.09	Over 5 vrs	3.56				3.36				
8 All stocks (12)	195.24	0.20	194.86	1.26	0.97										
Average gross redemption	riolds are s	hown above. (Coupon Bend	is: Low: D%	79%; Me	Aum: 8%-10%	b; High:	11% and	ower. † A	at ylekt. y	id Year to	cizile.			
FT Fixed Interest	Indice	s				Gilt	Edge	d Acti	vity In	dices					
Jan I	28 Jan 27	Jan 24 Jan	23 Jan 2	Yrago I	Sight Lo	w'			Jar	27 .	lan 24	Jan 2	3 Jan	22 ·	Jan 2
	0 94.53	94.82 95	.17 95.35	95.56	96.34 91	.59 GOT E	dged b	argains	71	1.7	81.1	85.6	88	LB	85.5
Govt. Secs. (UK) 84.7		117 09 110	.00 117.80	114.12 11	7.82 110	.74 5-dan	. Everag	e _	8:	1.5	84.1	83.4	84	.8	83.2
Fixed Interest 117.7												. Flored In			

FT/ISMA INTERNAT	пом	AJ E	iOi	ın e	ERVICE	•							
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paned		Offer			lesues		_		Yield	y as itsued	Bld	Offeir C	hg Yield
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Abbey Nati Treasury 6 ¹ 2 03 1000 ABN Armo Bank 7 ¹ 4 05 1000	99 ¹ 8 101	89월 101월	ૠ		Volkswagen Intil Fin 7 03 1000 World Bank 5% 03 3000				5.53 5.11	British Land 87 23 E 150 Denmark 64 98 E 800	985 ₈ 100		Ai 921 Ai 671
Aincan Dav Bk 7 23 500	99 ³	997	μŽ	7,43	World Bank 61 02 3000	1054	106	+14	4,91	Deola Finance 71, 03 £ 500	97	974	7 <i>7</i> 0
Alberta Province 7% 98	102³4 86⁵8	1021 ₂ 957 ₂	4		World Bank 71g 05 3000	1084	10942	+4	5.66	EBB 8 03 £ 1000 Finland 7 00 £ 500	102% 99%	103 i	나 7.40 7.02
Austria 8 ¹ 2 00	105%	105% 104%	44 84	6.37 6.43						Glavo Wellcome 8½ (15 £ 500	105	105 ¹ 8 4	ት 79¢
Bancoment 74; 04	883	897			Asian Dev Bank () 16	40 ¹ 4 106 ¹ 4	ولاوي 1063ء		490 234	HSBC Holdings 11.69 02 £ 153	118 121%		ii 7,96 ii 8,12
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Bayer Verensibh. 8 ¹ ₈ 00 500 Belgium 5 ¹ ₂ 03 1000 British Columbia 7 ¹ ₁₁ 02 500	94	944	+14	6.62	SB 34 99 1000	1031	1031	7	234 214	Land Secs 9 ¹ 2 07 £ 200 Ontario 11 ¹ 3 01 £ 100	1151.	109 ¹ 2 + 112 ¹ 2	A 8.13 7.53
British Columbia 73, 02	1045g 153a	104% 16	44	6.69 7.75	EB 6 ³ 4 04 300 Frikand 7 ¹ 4 99 300	1154	115 % 112 ¹ e	ᆚ	4.37	Powergen 8% 03 £ 250 Severn Trans 1112 99 £ 150	1043	104%	lg 7.94 .
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Econ Capital 0 04 1800 Fed Home Loan 71 ₈ 99 1500	601 ₂ 1021 ₈	60% 102%		6.56 6.28	Belglum \$ 99	1113	1115 <u>5</u> 11432		0.98 2.02	Abbay Net Treasury - 1/4 99 1000 Argentaria Global Fin (1 01 700	99.85 99.68	100.02 99.75	5.4375 5.5000
Federal Noti Mort 7.40 04 1500	1037	104	44	6.84	BB 6% 00 100000	1174	117%		1.04	Bankamerica 4, 99 750	99.97	100.07	5.6602
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Ind. Firrence 514 99	98 ¹ 2 967 ₁	98¾ 97¼		6.09 6.69	James Dev Rk 63s Rt 120000	122L	ولا 122	J,	1.50	Fed Nat Mort -2 00 1000	99,81	99.91	5.3125
kaly 6 (3)	935 ₁	847 ⁸		7.56	SNCF 61 00 30000 Spain 51, 02 15000 Sweden 45, 98 150000	1174, 1195 ₈	117½ 119%	-\a_ -\a_	1.05 1.73	Finland -1 ₈ 99 1500 Halidax 88 0 99 500	98.97 100.10	100.03 100.18	5,3790 5,5489
Japan Dev Sk 8 ³ 1 01 500 Korea Dec Power 6 ³ 8 03 1350	106 ¹ 4	108 ¹ 2 98 ¹ 4	4	6.56 7.17	Sweden 4 ⁵ g 98 150000 World Bank 5 ³ g 02 250000	10418	1047	-40	0.55	DALISTOCINE LA COL. STA	100.41	100.51	5.7500
Marsushita Elec 7 4 02	1024	103	44	6.76		1777	117%	<u>_1</u> 8	1.62	Raily 1, 99 1500 Italy 1, 98 Ecu 1500	100.43	100:45 100:31 -	5.6250 4.3125
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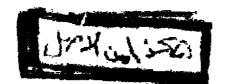
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ANUARY 3

MARKETS REPORT

strong rally against the yen

and D-Mark yesterday as

speculation built that signs

of inflation in the US labour

market would give a green

But the US currency lost

some of its upward momen-

tum after the publication of

calmed fears of sharply

The US currency broke

against the yen, reaching a

high of Y121.51 before clos-

It rose to a 31-month high

against the D-Mark, before

closing up more than 1 pien-

nig on the day by the end of

Comments by Mr Jurgen

London trading at DM1.6511,

Stark, a state secretary in

the German finance minis-

try, and by Mr Romano Prodi, the Italian prime min-

ister, led the D-Mark higher

Europe Austria Belgium Denmari Finland France Germani Greece Ireland

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Spein Sweden Switzedan UK Sou SDR† Americas Argentina Brazil Canada

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POUND SPOT FORWARD AGAIN

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ing in London at Y121.15.

higher inflation.

By Graham Bowley

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Dollar rallies and D-Mark rises in Europe against other European cur-dollar weakened ahead of key inflation numbers due to Mr Stark's comments be published early today.

The dollar staged another authorities might be taking The currency was hit by speculation that a low inflaa tougher line towards the tion number might prompt question of which countries the authorities to lower should participate in Eurointerest rates to offset cuts in public spending. Economists said Mr Pro-

light to higher interest rates. di's comments were taken to After much speculation mean that he thought the that the employment cost Italian lira was too strong. index would provide a final The pound fell sharply in employment cost data the wake of the dollar's rise rates were likely to rise indication that US interest and after economic data early next month, the data showed a greater than expeccame in much in line with ted widening in the UK trade expectations yesterday.

through the key Y120 deficit at the end of last The belief was that if the index showed rising wage Sterling finished in Lonpressures. Mr Alan Greendon at \$1.61, more than a span, chairman of the Fedcent lower against the doleral Reserve, could well call lar. Against the D-Mark, it for higher interest rates when the Fed meets on Feb-Elsewhere, the Australian ruary 4 and 5.

"Greenspan has got every-one focusing on the labour cost numbers at the moment," said Mr Kit Juckes, at NatWest Markets in London. But while the index

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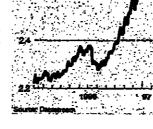
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3.0 2.0811 Against the D-Mark (DM per 2).



between the third and fourth quarters of last year, this was not as inflationary as some analysts and traders had feared.

The data brought relief to US interest rate markets, triggering a surge in US Treasury bond prices. "That took the steam out of the dollar's rise," said Mr Tony Norfield, at ABN Amro in London.

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despite separate data which showed US consumer confidence increased to its high-

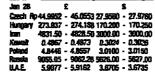
CURRENCIES AND MONEY

est level since the 1980s. "The probability of a Fed tightening has backed off a bit," said Mr Juckes.

■ Lack of reaction by the Japanese authorities to the dollar's rise gave the currency added upward momentum yesterday.

A surge by the dollar at the end of last week came to an end after ministry of finance officials began to talk it lower and it was hit by rumours that the Bank of Japan was buying the yen to prevent it from falling below Y120.

But there were no such



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pronouncements or market rumours yesterday as the dollar passed through the Y120 level apparently unhindered.

"The markets have been given further encouragement that the dollar can keep moving higher." said Mr Juckes.

■Despite its losses against the dollar, the D-Mark showed signs of renewed life on the European cross-rates yesterday.

It was supported by remarks by Mr Stark, which held out the prospect of a tougher German line on

Mr Stark indicated that markets' expectations that a broad range of countries. including Spain and Italy, would take part in the first wave of Emu were exagger

He said that the recent rally in the dollar was a correction to the strength of the D-Mark over the last few

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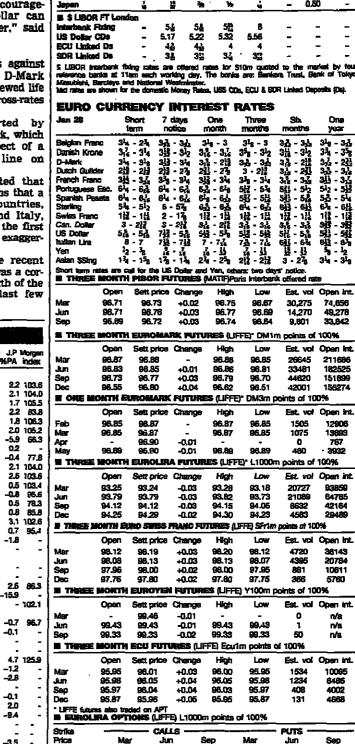
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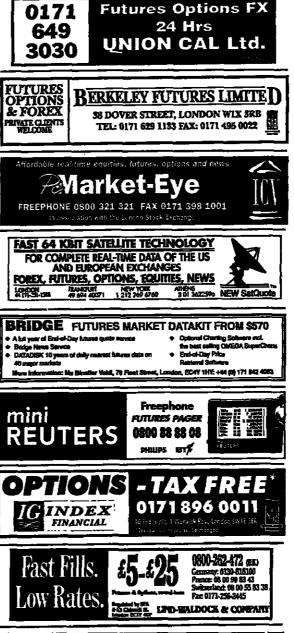
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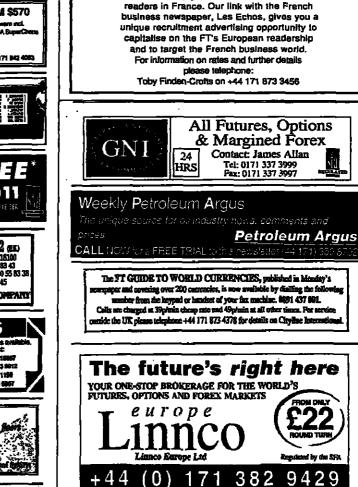
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COMMODITIES AND AGRICULTURE

Mix-up delays payments to Russian gold mines

By Kenneth Gooding Mining Correspondent

Russia's gold mining industry has not been paid for its precious metal since the end of November because of a bureaucratic mix-up.

it was claimed yesterday. Mr Lev Weinberg, a Russian businessman with interests in mining, estimated that 45 tonnes, or 1.45m troy ounces, of gold -worth roughly \$506m - had been stockpiled at mines and refineries because the government would

able to pay employees so productivity and output had fallen. The industry employs about 500,000 people, he said.

Russia's gold miners previously were paid by Komdragmet, the state committee for precious metals and gem stones, which had the exclusive right to buy their gold and export it.

In November, however, Komdragmet was disbanded and its functions were split between the Ministry of Finance and the Ministry of Industry.

year Komdragmet paid on delivery but in 1996 it was short of money and mining companies fre

He said that Russia's central bank now had permission to buy and export gold and would start doing so next month. The bank would have no difficulty paying the gold miners because it could print new money to the value of the gold.

The central bank would buy not only from the mining companies

Mr Weinberg said that until last but also from the private commer-year Komdragmet paid on deliv-cial banks which recently won the right to buy gold.

> Mr Weinberg said that the eight Russian commercial banks licensed to buy gold hoped that within a few months they would be able to export the metal. They also intended to set up an active gold bullion market to help to finance Russia's mining industry. Mr Weinberg, who among other interests is president of Bam Credit Bank, has been appointed

chairman of the new gold

He said the Russian government was committed to creating the right conditions for a thriving gold exchange in which foreign banks would play their part but practical details still had to be finalised. He estimated the cost of setting up the exchange would be

He insisted: "If the market is not launched in 1997 it will be a catastrophe for the gold industry." The industry required investment of \$200m a month and without that Russia's gold production would dwindle away.

North Sea fields, one of the

main factors behind last

year's lower than expected

has enabled oil companies to

push up production from

existing reservoirs has not

led to a big gain in overall

recoverable reserves, as bad

been hoped, he says. Nor

have the west's leading oil

companies been particularly

successful in finding big new

in older fields is one reason

why the companies are

developing so many smaller

Other analysts, however,

Saudi Arabia, the world's

largest oil exporter, has

repeatedly emphasised the

point to demand, rather than

supply, as being the biggest

deposits," he says.

"The faster decline rates

The new technology that

non-Opec production.

With the help of an active gold exchange, Russian gold production, which has now fallen to about 120 tonnes a year, could return to its peak of 300 tonnes. he suggested.

He estimated that Russia's domestic market could absorb about 30 tonnes of gold a year, so the rest of its output would have In its first results since to be exported or put in the cen- merging its ailing gold tral bank's reserves.

The commercial banks were ready to start a gold sales drive in gold producer, reported a Russia by offering small gold bars

IEA revisions this spring to

demand figures for 1994-96

could mean that demand

may be as much as 600,000-

700,000 barrels a day higher

than expected. That, says

Cera, could lead "to a more

ready absorption of Opec

and non-Opec supply" and

Some analysts who predict

prices at the lower end of the

range believe last year's

"An awful lot of oil comes

out with prices at \$25 a bar-

rel," says Ms Sue Graham, at

the London office of US bro-

There is one issue on

which the bulls and the

bears agree, however. The

most trying time for oil mar-

kets is likely to be the north-

ern hemisphere spring, tradi-

tionally the weakest period

for oil prices. But any weak-

ness this year could be com-

pounded by Iraqi oil exports

under the United Nations

The bulls say lower prices

will be the signal for refiners

to begin large-scale buying to rebuild badly depleted

stocks, thus putting a floor

The bears, however,

believe that only a late cold

snap will prevent rising sup-

plies in the spring from out-

oil-for-food programme.

under prices.

pacing demand.

significant new supplies.

kers Merrill Lynch.

firmer prices.

Avgold ahead but passes dividend

offshore

NO OVERSEAS

By Mark Ashurst

mines into a single listing. Avgold, the South African modest improvement for the December quarter.

Profit from gold was 15 per cent higher at R85m. (\$18.5m), but no interim dividend was declared. Mr Jurie Geldenhuys, managing director, said passing the dividend was "a one-off decision in the interests of not compromising certain accounting principles".

The group has changed its year-end to June, and has begun to amortise capital expenditure over longer

The results were at the lower end of expectations. Although shareholders had welcomed the new structure. which offered investors a pure play in gold, analysts said the group would trail the Johannesburg gold price rally will bring forth index in the medium term. A recovery hinged on suc-

cessful exploration at the Target prospect in the northern Free State, and Avgold's search for new prospects in Africa.

The results were not comparable with the previous quarter because of changes in the company structure. But Mr Geldenhuys claimed they were equivalent to a 65 per cent rise in earnings before tax and exceptional items to R77.2m.

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September 1

A buoyant gold price offset a decline in total gold production, which dropped 3.5 per cent from 8.447kg in the September quarter to 8.149kg in the three months to December 31. The operating surplus increased by 65 per cent to R101.8m, helped by a 15 per cent increase in profit from gold to R85m and an exceptional R18m from disposals of uranium

at Hartebeestfontein mine.

copper stocks

stocks showed a 775 tonne

fall. The price of lead for

delivery in three months fell

by nearly 3 per cent, or \$22.

Gold's recovery was

stopped in its tracks by the

release of US employment

cost data showing no indica-

tions of inflation in the econ-

omy. Having started with a

morning "fix" in London at

\$357.25 a troy ounce, gold

tumbled and was "fixed" in

Silver in London was

unable to remain above \$5

yesterday. After touching

\$5.06 an ounce it ended at

Crude oil futures firmed as

Brent Blend for March

delivery was quoted in late

trading on London's Interna-

tional Petroleum Exchange

at \$22.33 a barrel. 28 cents

Oil prices have drifted

steadily downward in recent

weeks, from their recent

above its close on Monday.

traders awaited the latest

American Petroleum Insti-

the afternoon at \$353.70.

\$4.98 in late trading.

tute inventory data.

to \$675 a tonne.

By Kenneth Gooding

Another substantial rise in London Metal Exchange copper stocks reported yesterday, of 9,650 tonnes, did not ease the market's technical tightness. The premium for copper for immediate delivery over three-month metal reached \$335 a tonne.

Traders said this brought back memories of May last year and December 1995. when a battle for supremacy in the copper market was being fought between Sumitomo, trying to drive the price up, and some US funds.

attempting to push it down. The oremium for rolling a position forward for one day was \$24 a tonne, only \$2 below the daily limit set by the LME executive during the Sumitomo battles and not removed since.

Mr Nick Moore, analyst at the Flemings Global Mining Group, said: "Traders are eyeing the February 3-7 as another danger point." He also suggested that the sustained tightness "makes the inevitable price fall once the squeeze dissipates all the more savage". Lead came under pressure on the LME as speculators

COMMODITIES PRICES

LONDON METAL EXCHANGE

1618.5-19.5

1523-25

685.5-7.5

678-9

1639-39.5

1532-33

M ALUMINIUM, 99.7 PURITY & per lanne

M ALUMINIUM ALLOY (\$ per to

AM Official

High/low AM Official

3 months

Silver Fix

LEAD (\$ per tonne)

BASE METALS

highs of close to \$25 a barrel. (As at Thursday's close)

iaii once the squeeze dissi-	Aluminium	-6,950	to 956,72
pates all the more savage".	Aluminium alloy	-180	to 73,340
Lead came under pressure	Copper	+9,650	to 165,65
on the LME as speculators	Lead	-775	10 113,72
	Nickel	-216	to 48,612
who use charts decided to	Zinc	+675	10 484,37
sell, even though exchange	Tin	-135	to 10,460
com com moder comme			

Precious Metals continued

Further rise in Divergent opinions on outlook for oil

International Energy Agency forecasts have come under fire, says Robert Corzine

il price forecasts published this month reveal one of the widest divergences of opinion among analysts in recent years over the short-term to medium-term direction of world petroleum markets.

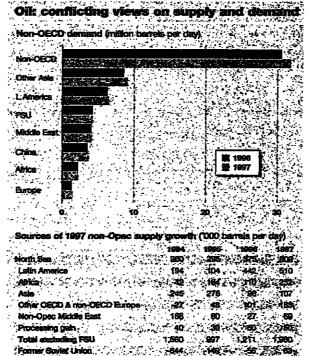
Average oil price predictions for 1997 fall in a broad range of around \$18-\$21 a barrel for Brent Blend, the North Sea crude that serves as a global price benchmark. That compares with a current Brent price of about \$22.50 a harrel and a 1996 average of \$20.82 a barrel.

Analysts attribute the wide differential to conflicting views over two issues; the supply of oil from countries outside the Organisation of Petroleum Exporting Countries, and demand, especially in the emerging economies in Asia, Latin America and eastern Europe. Some believe the divide

can be traced to forecasts issued by the International Energy Agency. Statistics produced by the IEA, which monitors world oil markets on behalf of the leading industrialised countries, are among the most widely used benchmarks by industry analysts worldwide.

But over the past year there has been growing criticism of some of its conclusions, especially about the

GRAINS AND OIL SEEDS



"If you believe the IEA numbers, then there is a major accident waiting to happen in the markets," says Mr Fergus MacLeod, oil analyst at Edinburgh brokers, NatWest Securities. Earlier this month the IEA

predicted that a surge in

Source: International Energy Agency

844 HB - 56 F 2 63 848 1,166 2,048. non-Opec output would reduce demand for Opec oil by 200,000 b/d over the year. But Mr MacLeod believes the "underlying non-Opec rate is not as great as estimated."

And he suggests that lower

linked to delays in some new

difficulty of accurately assessing demand in fastgrowing countries with vibrant informal economies. In such cases economic statistics can be at best out of date or at worst misleading. A report published this

uncertainty.

ek by Cambridge Energy Research Associates (Cera) speculates as to whether the world oil industry is "missing some demand growth". given that there is a twoyear lag in the compilation non-Opec output is not just of official data on world oil



Sett Day's Gpen Price change High Law Yol lat 64.575 -0.400 64.975 64.500 7,705 20,935 66.575 -0.275 67.100 66.55012,350 38,237 64.375 +0.050 64.800 84.225 3,822 13,466 64.150 +0.050 64.400 63.950 2.024 15.443 67.325 +0.450 67.500 88.650 580 8.293 69.850 +0.500 70.050 69.250 501 3,439

76.275 -0.900 77.300 76.250 2,732 8,981 76.350 -0.650 77.100 76.275 3,379 11,766

80.525 -0.675 81.350 80.350 1,636 7,129 78.550 -0.450 79.050 78.300 225 1,590 74.725 -0.225 75.000 74.400 226 1,445 M PORK BELLIES CME (40,000fbs; cents/fbs) 80.175 -0.375 81.400 78.900 2,051 3,558

ILEAN HOGS CME (40,000lbs; cents/lbs)

76.550 -0.150 77.300 76.550 **LONDON TRADED OPTIONS**

Strike price \$ tonne	C	:iis	P1	υb
E ALUMINIUM (99.7%) LME	Маг	Jun	Mar	,
1550	88	116	13	
1600	56	87	29	
1650	31	63	54	
■ COPPER				
(Grade A) LME	Mar	Jun	Mar	
2200	110	107	24	1
2300	52	67	66	1
2400	20	40	132	2
COFFEE LIFFE	Mar	May	Mer	٨
1450	70	107	41	1
1500		87	66	1
1550	31	72	102	1

LONDON SPOT MARKETS

CRUDE OIL FOR (per barrel) \$22.59-2.61

Heavy Fuel Oil Naphtho Jet tuel \$94-96 \$221-223 \$232-234 +0.5 -0.5 Diesei
NATURAL GAS (Pence/ther \$216-218 17.50-18.00 -0.60 don (0171) 359 8792 Gold (per troy oz)‡ Silver (per troy oz)‡ Platinum (per troy oz.) Palledkum (per troy oz.)

498.50c

+1.25 +0.25 117.0c Copper Lead (US prod.) 14.56r 277.50 -0.08 -2.00 mut Oil (Phili)§

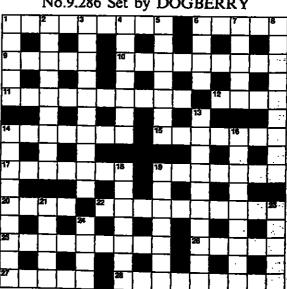
Lon. day sugar (raw) Lon. day sugar (wte) Barley (Eng. leed) Maize (US No3 Yellon Wheet (US Dark Nort Rubber (Feb)♥ Rubber (Mar)♥ Paim Oil (Matay.)§ Copra (Phil)§ Soyabsens (US) Cotton Outlook'A' Index Wooltops (64s Super) Jen 27 Jen 24 month ago year ago 243,65 241.11 IS GSCI Spot (Base 1970 = 100)

1 Instrument at length in firm grasp (5) 2 Mischief-maker to protest at tight fit (9)

JOTTER PAD

CROSSWORD

No.9.286 Set by DOGBERRY



ACROSS
1 Church music introduced

this month: it steadies the helm (9) 6 Heath admits Thatcher's beginning to be a driving

force (5) 9 Quiet sneer about persona 10 Flying visit by baseballer 11 Bust right in, with voice or

12 Get away with upsetting 14 Girl set out to develop cartilage (7)
15 Comical performance artist in the country (Spain) (7) 17 Fruit, second-class fruit (7)

19 inactive fellow trod round outside (7) 20 Perhaps easternmost part church (4) 22 Transparent block to hold prisoner, one on a charge of theft (10)

25 Subversive's mistake is to enter the race (9) 26 Provide for the Queen to follow her permitted 27 Star set on scripture (5) 28 Trees single and multiple establish actors' home (9)

DOWN

include one part of Mahler's 5th (9) 18 Uncharitable, for the flesh is weak (7)
19 Enjoy almost the whole thing by numbers? (7) 21 Display indifference to quiet carpeting (5)
23 Walled about in mire (5)

3 King shut up in river and

4 Eggs outside Brock's home

5 Unimaginative girl in snap

6 Defeat partner (4)
7 Unqualified for sum (5)
8 Dodgy enterprise one

refused to stand for (9) 13 Liberal Party chair, where

men wear trousers (10) 14 Island soldier trains at

scene of sacrifice (9)

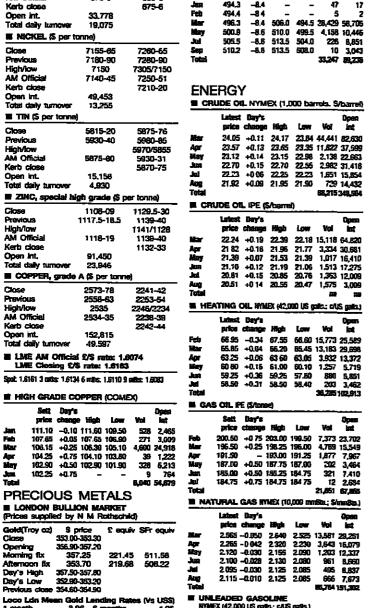
16 Woman to persuade

supply decoration (7)

lake (9)

24 Sweet sap (4) Solution 9,285





503.00 509.10 515.25

526,00

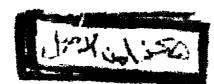
€ equiv. 221-222

\$ price 356-358

■ GOLD COMEX (100 Troy oz.; \$/troy oz.) WHEAT LIFFE (E per tonne) COCOA LIFFE (E/torine) 903 924 92.80 -0.70 92.75 92.00 891 1.885 34.252 92 1,790 354.0 -3.3 358.2 353.2 38,862 48,075 355.7 -3.5 360.1 354.8 23.117 56.817 358.0 -3.5 361.9 357.2 1.456 22.050 360.4 -3.5 364.5 360.6 263 8.377 97.00 -0.50 96.80 96.50 91.00 -0.25 158 1,157 37 36 578 8,294 85,682 191,255 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) E WHEAT CET (5,000bu min; cents/60b bushel) E COCOA CSCE (10 tonnes; \$/tonnes) 357.0 -3.8 359.0 357.0 13 10 360.5 -3.8 364.4 360.2 1,890 19,702 362.8 -3.8 364.9 364.0 8 3,218 365.1 -3.7 368.5 366.0 244 2,247 373.00 +150 374.50 371.25 5,987 27,080 359.00 +3.00 359.50 358.50 1,081 10,251 347.25 +3.00 349.50 343.25 2,108 24,178 itar Iday Jul -8 1318 1299 6,357 23,228 -9 1351 1332 1,207 22,963 -10 1378 1357 209 13,355 1348 1373 350.00 +3.00 351.50 348.00 Total 1443 -11 1445 1429 127 12,558 344.00 +2.00 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) MAIZE CBT (5,000 bu min; carts/56tb bushel) E COCOA (ICCO) (SDR's/tonne) 124.75 -1.05 128.00 124.50 544 5,072 128.05 -1.05 128.35 126.00 79 1,864 127.20 -1.05 - - 360 128.20 -1.05 - - 18 274.75 -0.25 277.25 274.25 25,949122,385 272.25 -0.50 274.75 271.75 8,939 67,614 270.50 -0.50 273.25 270.25 6,450 63,652 266,75 +0.25 258.00 266,25 495 9,669 268,25 +0.50 268,75 267.50 2,099 43,792 273.50 -274.50 273.25 174 2,690 B23 8,314 **El COFFEE LIFFE (\$/tonne)** SILVER COMEX (5,000 Tray az.; Cents/tray az.) 426 1570 1510 90 1,052 +4 1505 1455 2,673 19,270 -4 1500 1450 1,561 19,979 -1 1485 1450 545 5,500 -1 1483 1440 125 2,125 -1 1450 1430 6 1,126 - - 47 17 - - 5 2 -84 - - 5 2 -8.4 506.0 494.5 38.429 58.705 -8.5 510.0 499.5 4,158 10,446 -8.6 513.5 504.0 226 8,851 -8.8 513.5 508.0 10 3,043 33,247 89,238 BARLEY LIFFE (£ per tonne) - 92.00 92.00 93.00 -0.50 92.50 92.50 90.50 - - - -92.50 - 92.00 92.00 94.50 - 94.00 94.00 21 COFFEE 'C' CSCE (37.500fbs; cents/fbs) III SOYABEANS COT (5.000but inter, cente/60th bashet) 131.20 +2.85 131.50 129.00 748 4.472 126.50 +3.25 127.00 124.25 546 2.737 121.55 +3.40 121.00 119.50 285 1.908 744.50 -5.25 752.50 744.00 26,183 76,704 746.00 -4.50 753.00 745.50 8,464 37,261 746.75 -4.50 754.50 746.00 3,898 32,992 117.50 +4.00 115.10 116.10 92 74256 -4.75 749.50 742.00 178 4,954 712.75 -3.75 719.00 712.00 309 1,416 689.75 -225 693.75 689.50 2,646 15,036 ■ COFFEE (ICO) (US cents/pound) 41,694 168,944 E SOYABEAN OIL CET (60,000fbs: cents/fb) 24.16 -0.20 24.48 24.15 4.767 45.918
24.54 -0.20 24.87 24.53 1.458 18.628
24.90 -0.17 25.20 24.89 724 14.975
25.02 -0.16 25.32 25.02 83 2.849
25.11 -0.17 25.40 25.11 124 2.662
25.30 -0.12 25.50 25.50 71 723
7,416 81,255 M WHITE SUGAR LIFFE (\$/tonne) Jusi Aug Sep Oct 297.8 -0.3 288.7 297.1 990 11,761 297.7 -0.5 298.5 297.2 1,107 7,886 298.7 +0.2 299.2 298.5 250 2,934 295.7 -0.8 296.0 296.5 240 1,904 297.2 +0.2 298.1 298.1 6 629 299.0 -0.3 - - 400 E SOYABEAN MEAL CBT (100 tons; \$/ton) 236 9 -12 239.0 236.5 8,110 38,747 233.1 -16 235.6 233.0 2,622 21,310 232.1 -1.7 234.7 232.0 2,088 19,243 229.5 -13 231.3 229.5 250 3,249 224.2 -6.7 225.8 224.2 192 2,676 213.0 -0.5 215.0 213.0 6 1,044 13,504 88,840 SUGAR "11" CSCE (112,000lbs; cents/lbs) 10.41 -0.63 10.46 10.3914,470 67,856 10.43 -0.61 10.45 10.41 4,671 37,484 10.41 -0.02 10.44 10.40 1.530 27.298 10.44 -0.01 10.45 10.42 515 17.299 10.47 - 10.47 10.43 343 6.406 10.51 - - 7 1.197 21,541 157,923 E COTTON NYCE (50,000fbs; cents/fbs) 60.0 -25 72.5 -25 63.5 -25 75.11 -0.15 75.50 74.90 4,640 21,430 76.45 -0.08 76.75 76.25 1,849 18,110 77.48 -0.07 7760 77.20 537 8,153 77.85 +0.15 77.55 77.30 37 1,512 77.55 +0.11 77.59 77.30 587 11,886 1140 +3.0 1140 1120 ■ FREIGHT (BIFFEX) LIFFE (\$10/Index point) 1375 1305 1367 1415 W ORANGE JUICE NYCE (15,000ths; cents/ths) 1367 -19 1375 1367 1418 -12 1425 1415 1207 -8 1215 1200 1355 - 1351 1350 533 139 3,685 100.70 +3.60 102.16 100.10 238 1.834 YOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest pence/kg dearer, but ongrar mediume lost 2-3 pence/kg. Ceytons were mainly dearer. Offshore, there was good demand at firm to dearer rates. Oudations; Landed Best avualable: 152p/kg. Good: 122p/kg. Good medium: 184p/kg. Medium: 104p/kg. Low medium: 88p/kg nom. The highest price realised: this waste 152p/kg. So-INDICES Reuters (Base: 18/9/31 = 100) 67.75 +0.10 6810 67.45 12.327 22.550 69.25 +0.20 69.50 69.00 2.161 11.503 63.60 +0.25 69.55 67.30 599 5.520 67.40 +0.15 67.60 67.30 599 5.520 65.70 +0.30 65.70 65.50 216 2.906 Jan 28 Jan 27 month ego year ago 1960.1 1956.7 – 2179.5 E CRB Putures (Base: 1967 = 100)

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FT MANAGED FUNDS SERVICE ● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. 109.55 +0.04 0.00 510.55 11.55 -0.07 0.00 511.50 +0.05 0.00 510.55 11.55 -0.00 5.55 11.55 The Financial Times plans to publish a Survey on Burgundy

on Tuesday, February 25

For further information, please contact:

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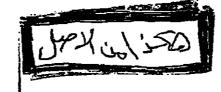
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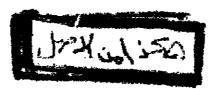
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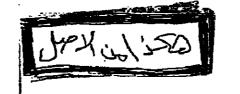
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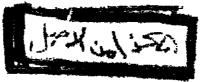
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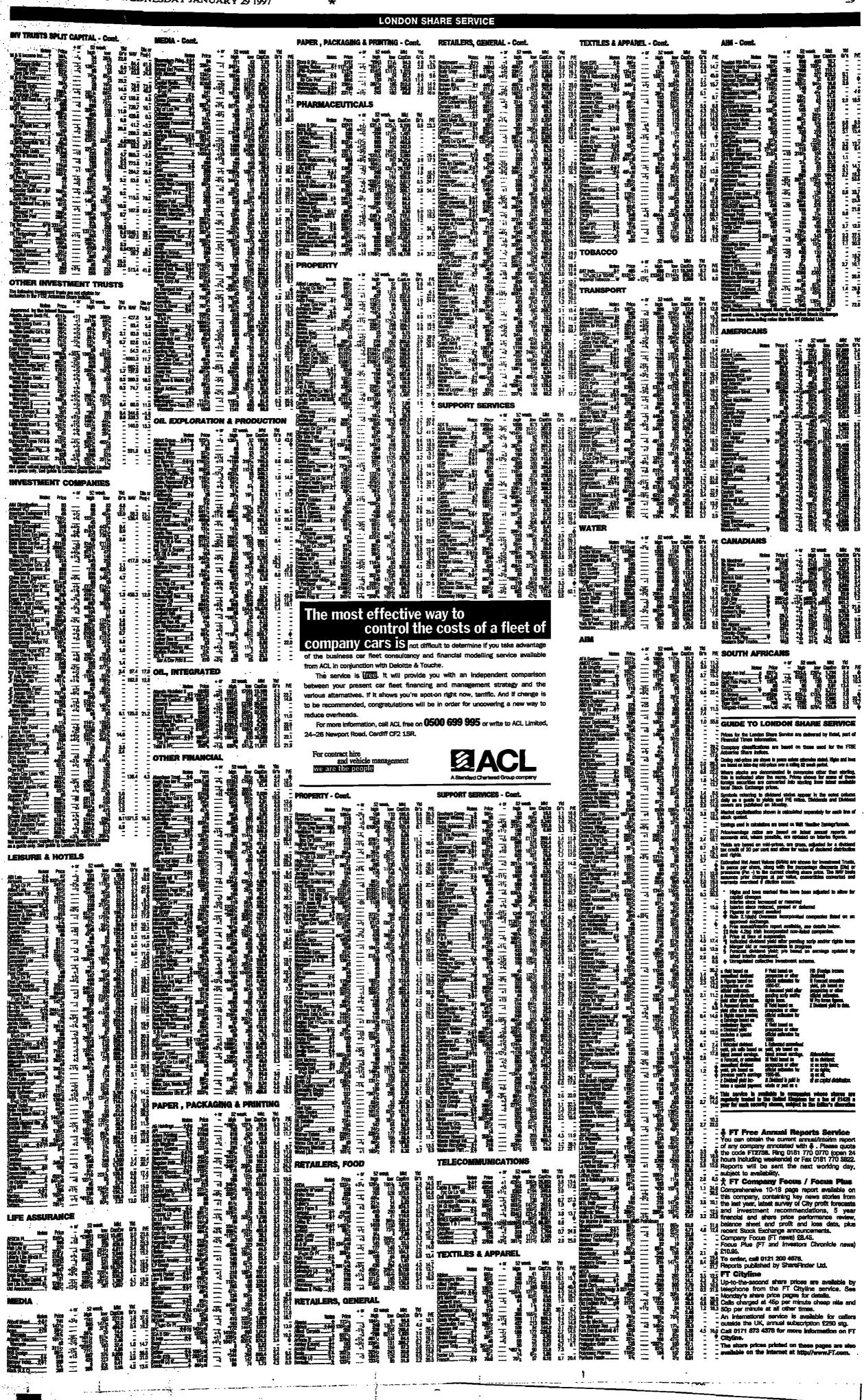
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LONDON STOCK EXCHANGE

Equities welcome strong rally in US stocks

MARKET REPORT

By Steve Thompson, **UK Stock Market Editor**

Sentiment in London was transformed in mid-session by the latest economic news from the US. That news engineered a sharp rally in US Treasury bonds and on Wall Street where the Dow Jones Industrial Average jumped almost 100 points within 30 minutes of the opening.

Big gains in the latter, which rose a point at the opening, lent good support to gilts which had suffered from a larger than mildly disappointing outcome to on-year.

10-year gilts.

The FTSE 100 index, which lost the 4.200 level in mid-morning. gathered itself after the US news and galloped ahead to close 25.4 higher at 4.237.4. less than a point off the day's best.

Demand did not span the whole of the market, however. The FTSE 250 gave a disappointing performance, sliding 10.4 to 4.582.7. The SmallCap recorded a minor gain, up 0.5 at 2,292.4.

The encouraging US news was from the employment cost index for the December quarter which was up 0.8 per cent on the third expected trade deficit and a quarter and 2.8 per cent year-

both sides of the Atlantic Dealers pointed out that the US Federal Reserve's Open Market Committee pays particular attention to the employment cost index as part of its interest rate decision-

making process. The next meeting of the FOMC is scheduled to start next Tuesday and there had been twitches of unease in the US recently about the possibility of the Fed nudging rates higher.

Wall Street, which has fallen heavily in recent sessions, bounced strongly, with the Dow news. It wants to set new highs". Jones Industrial Average clim-

to 164p.

Although in line with consen- bing 99 points shortly after the sus forecasts, the news was opening. The Dow had fallen 223, greeted with widespread relief on or 3.2 per cent, from its record closing high of 6,883,9 over the previous four sessions.

A rise in the US consumer confidence index, to 116.8 from 114.2. briefly took the edge off gains. but thereafter made little or no impact on sentiment

Mr Richard Jeffrey, group econ-

omist at Charterhouse Bank, said the employment cost index numbers would not preclude a rise in US rates over the next few months, only delay such a move. He said London's equity market "wants to rally on any good

lowing year. Kenwood fell 22

A profits warning also

took its toll on Hogg Robin-

agency, which tumbled 84 to

207p. The company said that

results for the full year to

March would be below ana-

lysts' forecasts, largely due

to the strength of sterling

having a "marked" impact

on its continental European

832%p on the news - a move

who said the two operators

were in very different seg-

ments of the market and

that currency movements

were not causing problems

428%p after NatWest Securi-

ties became the latest house

Tate & Lyle fell 13 to

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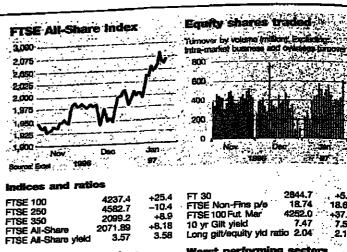
trading activities.

for Airtours.

6pm reading, was 875.2m shares, well up on Monday's 685m. Retail business on Monday fell to £748.3m, the lowest since the Christmas-New Year holiday. Among the day's big winners

was Marks & Spencer whose shares raced higher on hopes of good news from today's trading update on pre-Christmas sales. The two biggest building materials stocks, RMC and Redland. featured prominently after broker recommendations, while the oil exploration stocks Enterprise Oil and British Borneo made fur-

ther progress. On the downside, there were profit warnings from Hogg Robinson and Kenwood.



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M&Sup ahead of figures

By Lisa Wood, Peter John

Marks & Spencer shares were among the top performing FTSE 100 stocks, racing up 16 to 493p. Dealers reacted to market whispers that sales over the Christmas period were likely to have risen in excess of 8 per cent, well ahead of most of its high street rivals.

The market thinks there has been a leak," said one analyst who added that the City would be well pleased with such a figure.

And one of the leading UK securities houses was said to have been pushing the stock. Analysts suggested the turnaround was indicative of the confusion that has reigned within the sector following a on the shares ahead of the raft of contradictory trading final demerger of Hanson's statements.

Marketmakers are thought als arms. This is expected to to have been running short take place on February 24. positions in retailers following the dramatic slide in Kleinwort Benson took Han-J. Sainsbury shares earlier son off its buy list following this week. A profits warning the recent strong outperfrom the latter triggered sub- formance. The shares dipped stantial falls across all the 2 to 921/2p. big food supermarket groups.

Yesterday saw an unwindpositions. Turnover in Marks group Lucas Varity. & Spencer shares rose to a higher than usual 6.9m.

turnover to 67m shares, one of the heaviest on record. That represented almost 8 per cent of the overall volume in the market yester-

The business was conducted as an agency cross with the shares exchanged at an agreed level and the broker taking a fee rather than a turn on the share price. One stakeholder sold

22m at 91p a share. It appeared to reflect the two prevailing views. First, that the shares are overvalued following a 14 per cent rise in the past month. Second, that after years of being battered the shares may warrant a re-rating as cyclical stocks come back into favour.

Although the block represented a very small slice of was unusually big for a sin-

It was also surprising as most investors have been happy to reserve judgment energy and building materi-

Meanwhile, Dresdner

"A dead cat bounce" is how one market specialist described yesterday's recoving of some of those short ery in Anglo-US engineering The shares jumped 141/2, or

7 per cent, to 220p, the best performance in the FTSE 100 Same Two investment institu- performance in the FTSE 100

Hanson yesterday, boosting still one of the sharpest from £10m to £5.5m and from underperformers in the £10.8m to £8.5m for the fol-index this year. Kenwood fell 22

A trading update and progress report on the group's restructuring carried out via a conference call yesterday managed to ease some of the recent fears on the dividend that have driven the stock

However, the doubters remain and several pointed to a line in the statement saying "the company will seek the views of our major shareholders prior to any decision" as evidence that a dividend cut and share buy- criticised by one analyst the company. back was still very much on the cards.

Analysts cut forecasts for Kenwood Appliances after a profits warning for the second half and the news of the departure of another chief executive. ABN Amro-Hoare Hanson's overall equity it Govett reduced its estimate for the year to March 1997 to downgrade its pre-tax stock rental company,

FT 30 INI		Jan 27	Jan 24	Jan 23	Jan 22	Yr ago	"High	*Low	
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Shares b	rađed (mi)†		- 2	260.8	612.9	43	4.5	390.0	830.0

Jan 28 Jan 27 Jan 24 Jan 23 Jan 22 Yr ago 1High 1100.7 1098.0 1095.4 1096.6 1089.7 1041.2 1140.4

149 35 Total contracts tions took a \$20m view on yesterday, although they are Jan 28 Data based on Equity shares fisted on the London Share Service

profit forecast for the group Sachs becoming increasingly which is renegotiating its positive about aggregates annual high fructose corn syrup contracts with soft drink manufacturers in the US. NatWest was reported to

son, the business travel have eased its estimates for the year to the end of Sentember 1997 by £15m to £250m and for 1998 to£300m from £315m. Capital Corp strengthened 32 to 198p after the company the year.

confirmed that it had recently received and rejected a bid approach which may or may not lead to an offer being made for Transport group Stage-

coach Holdings tumbled 211/4 to 778p on news that UBS, the group's broker, plans to sell up to 35m shares in the company. The shares are to come

from former shareholders of Porterbrook, the rolling acquired by Stagecoach last

UBS plans to dispose of the stock tomorrow afternoon following an accelerated global tender in which it will match demand and supply for the shares. In the rest of the sector,

Railtrack Group ended the day as one of the worst performers in the FTSE 100 after BZW was said to have downgraded its recommendation on the stock from "buy" to "hold". Dealers also considered a

press report suggesting executives at Railtrack are lining up a takeover bid for the London Underground network if its track and signalling operations are privatised as a separate infrastructure company. RMC Group strengthened

37 to 9731/sp after a shortage of stock, alleged to have been caused by a Cazenove buy recommendation. Tarmac hardened a penny to 1041/2p with Goldman

every I per cent rise in the

Mr Michael Betts, building analyst at Goldmans, said price of aggregates, such as cement and concrete, added 3 per cent to Tarmac's profits. He expects aggregates prices to rise 7 per cent in the spring, stabilising at 5 per cent during the rest of

Imperial Tobacco climbed 121/2 to 397p after it announced the £185m acquisition of Rizla, the world's

olggest maker of handrolling tobacco paper.

Zeneca dipped on early profit-taking following the pharmaceutical group's trading statement. However, the

ing statement. However, the internationally-traded stock rallied to end 14 up at 1707%p as Wall Street

LONDON RECENT ISSUES: EQUITIES issue Amt Mid. price paid cap 1998/97 p up (Em.) High Low Stock Nex Drv. Grs P/E div. cov. yld nex W6.85 2.0 4.9 12.7 \$168 FP

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Data on job costs boost bonds, Dow

US share prices leapt as data on fourth quarter employment costs soothed fears that the Federal Reserve would raise interest rates, writes Lisa Bransten in New

Blue chip shares in the Dow Jones Industrial Average rose more than 100 points in the first half hour of trading before settling back with a gain of 83.90 by 1 pm. The Standard & Poor's 500 added 10.26 to 775.28. The relief rally helped both indices recapture about half of the losses made since the middle of last week. Volume

Disney



on the NYSE came to 302m

jumped with the Nasdaq noon, the 300 composite composite, weighted toward that sector, climbing 16.13 at 6.069.50. 1,368.79 and the Pacific Stock Exchange technology index index's sub-groups gained

surging 2.2 per cent. Many economists had feared that the employment per cent, leading the way. cost index (ECI) might have Pipeline stocks added 1.1 per risen as much as 1 per cent cent. in the fourth quarter of last year. This, they speculated, could have prompted the Fed

0.8 per cent increase in the ECI, sparking an immediate rally in the bond market which sent the yield on the benchmark 30-year Treasury back below 6.9 per cent.

Also supportive of the Dow were a number of reports of stronger-thanexpected results from components of that index. These included Disney, up \$1% at \$39. Merck, \$2% better at \$87% and Procter & Gamble \$6 to the good at \$113%. General Motors, which is also a component of the Dow, slipped although it too reported earnings that were ahead of expectations. Shares in the car manufac-

turer lost \$% at \$61%. Also in the Dow, IBM regained a large amount of ground lost recently on rumours that an analyst at Salomon Brothers had upgraded the company. Share in Big Blue advanced

\$7% to \$153. Elsewhere ITT soared \$14% or 34 per cent to \$57% after Hilton made an unsolicited offer to acquire the hotel and gambling chain for \$55 per share. Wall Street welcomed the move, sending shares of Hilton up \$3% or 12 per cent to \$28%. ITT said it would consider the offer and

respond within 10 days. TORONTO moved ahead strongly, helped by Wall Technology shares also Street's opening strength. At index was up 28.74 at

> The bulk of the composite ground during the morning session with utilities, up 1.7

Toronto-Dominion Bank put on 25 cents to C\$37.00 and Royal Bank of Canada to raise interest rates. Early added 20 cents to C\$50.05. yesterday morning, the Barrick Gold dipped 35 cents Labor department reported a to C\$36.55.

BA rebounds 2.5%

BUENOS AIRES rebounded Colombia, Venezuela and 2.5 per cent at midsession, bringing to an end a fourwhich the market lost 4.4 per overweighted cyclicals in cent. The Merval index rose Mexico and Argentina, Bra-16.2 to 672.71.

per cent in quiet trading as le's banks, electric utilities, the market awaited the first and pulp/paper companies. full lower house vote, later and Peru's non-mining secwould permit the re-election of the president to a second term. The Bovespa index rose 976 to 78,567.

US investment bank, has or 1.5 per cent to 108.01. revised its model portfolio MEXICO CITY continued for markets, sectors and stocks in Latin America, while increasing positions in

session losing streak during American equity strategist, zil's state-owned sectors. Col-SAO PAULO picked up 1.3 ombia and Venezuela. Chitors were underweighted.

SANTIAGO from Monday's setback, moving strongly forward with the IPSA index showing a Salomon Brothers, the midsession advance of 1.64

where it left off late on Monday when a last-minute rally reducing exposures to Chile, pushed the IPC index ahead. was up 14.89 at 3,700.06.

Bullion rally lifts S Africa

FT/S&P ACTUARIES WORLD INDICES

The early upturn on Wall Street and a rally for the bullion price sent shares in

47.0 to 6,736.0 with a firmer rand and a better day for the bond market aiding the upturn. Industrials ended 25.1 higher at 8,069.0 and jumped R16 to R322.

NATIONAL AND

Selgium (26) . Brazil (28).....

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italy (58)..... Jepan (480). Malaysia (10

United Kingdom (211)

golds, off the best of the day, were up 54.1 at 1,429.4. South African Breweries gained R1.25 to R124, Sun International 10 cents to R285. Richemont added R2

Awong golds, Freegold gained R2.10 or 6.5 per cent to to R31.10 and Vaal Reefs

573.44 473.71 534.57 601.96 1222.39 1009.78 1139.54 11459.36 302.59 249.96 262.08 278.17 83.65 69.10 77.98 70.57 284.48 234.99 265.18 274.52 189.21 156.30 176.39 271.96 392.95 324.61 366.32 279.18 286.68 245.08 276.57 325.02

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The World Index (2467).....222.10 -0.9 202.83 167.56 189.09 196.06 -0.7 2.02 224.18 204.07 168.46 189.60 197.53 228.97 202.32 202.46 Copyright, FTSE International Limited, Goldman. Sector and Co. und Standard S. Poor's. 1997. All rights reserved. "FT/SSP Actuaries" a a joint trademark of The Francis Times Limited and Stand CONSTITUTION TO CHANGE 2011 INTER. Name Change: Also Standard Corp to INDN: Office Southers, IUSA), Named closed 2717 (5); Authoria, Laber: prices were unavailable by this edition.

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Mr John Mullin, Latin

recovered

Johannesburg racing ahead.

At the close of business, the all-share index was up

Treasuries and the Dow. moving from weakness in the morning to rises of a percentage point or more in the European afternoon.

Bourses blossomed after the

US fourth quarter employ-

ment cost index boosted

PARIS saw the CAC 40 index climb 47.59 or nearly 2 per cent to a new all-time high of 2,482.76, helped by a strong bounce in Lyonnaise des Eaux, and in the Suez group following the revival of an old merger story.

Solid earnings late on Monday from Suez helped fuel the upturn, but the main impetus came from merger talk. Suez gained FFr16.10 or 6.9 per cent to FFr248 and Lyonnais put on FFr27 to FFr562 for a two-day advance of almost 12 per cent Takeover talk also resur-

faced at Sanofi which jumped FFr19 to FFr565 after the drugs group said it was looking for "one or possibly two partners in order to double its size". Sharp movements also

stemmed from long-awaited changes to the CAC 40 index. The index newcomers -AGF. Valeo and Bic - all moved ahead, while Eurotunnel and Saint Louis, the relegation stocks, moved in the opposite direction.

FFr891 and Valeo FFr1L40 to FFr363.50. Saint Louis shed FFr36.00 at FFr1,386 and Usinor, which at one time had high hopes of gaining entry to the CAC, came off 90 cen-

times to FFr75.85. Moulinex added FFr11.20 or 8.5 per cent to FFr142.60 following sales data and an upbeat profit forecast. Rhône-Poulenc dropped FFr4.10 to FFr180.50 on

ZURICH turned its attention back to pharmaceuticals, and that, with the firmer dollar, carried the SMI index back into record territory, up 55.0 at 4,182.3. Novartis led the way.

jumping SFr24 to SFr1,612 in response to a better than expected 8 per cent rise in 1996 sales. Roche certificates gained SF230 to SF12.020 on the retelling of a number of rumours that have become increasingly familiar over the past 10 days. UBS closed up SFr21 at

the SFr1,200 threshold. Winterthur benefited from rumours that it would boost its 1996 dividend, adding SFr15 to SFr853. Nestlé, helped by the firmer dollar, advanced SFr17 to SFr1,504; Swissair

SFr1.195, unable to breach

rose SFr34 to SFr1,267; while ABB added SFr29 to SFr1.756 on a hig order from Bahrain. MADRID reacted as Span-

ing increase in sales tax

from the current 3 per cent

to 5 per cent will dampen

consumer spending. Marui

fell Y70 to Y1,590 and Jusco

Kyotaru, the beleaguered

takeout-sushi chain operator

which has been on the TSE's

liquidation post since Janu-

ary 20, when it filed for

bankruptcy-law protection.

traded at Y40, down Y470

and Y10 below their face

Kyotaru was due to be

delisted on April 20, but yes-

terday's purchases were

believed to have come from

investors who expect the

company to list again after

restructuring, analysts said.

added 223.10 to 18,662.15 in

volume of 71.9m shares.

higher at 689.97.

Rp14.500.

| | Diskr | | Index |

287.64 261 84 216 15 243.27 241.84 293.26 231.50 231.50 236.31 32.37 236.20 217.22 179.31 201.81 241.82 242.22 198.39 198.39 369.11 336.00 277 37 312.17 340.94 375.85 255.36 266.11 136.62 124.36 102.66 115.54 102.60 177.07 133.94 183.80 179.10 163.04 134.59 151.47 144.71 191.51 176.40 178.16 307.10 279.55 230.77 259.73 306.10 313.26 247.07 247.07 213.36 194.22 160.33 180.45 190.66 215.56 179.04 179.04 315.09 236.83 236.78 266.99 273.53 220.65 268.97 281.77 182.30 165.95 136.99 154.18 150.48 193.47 177.71 180.09 219.33 199.66 163.82 185.50 192.17 224.89 199.58 200.17 279.97 254.86 210.37 267.54 283.89 231.09 231.09

In Osaka, the OSE average

JAKARTA touched an

all-time intraday high of

691.49 on the composite

index before closing 4.99

Telkom, boosted by

reports of capital spending

plans, rose Rp75 to Rp4,200

on 5.6m shares traded. Sam-

poerna gained 2.1 per cent to

day's most active stock.

gaining Rp100 to Rp1.175 in

21.6m traded following

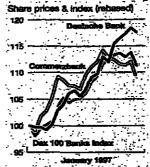
reports that the group was

Bakrie & Brothers was the

Y50 to Y3,200.

German banks Share prices & index (rebase

CAC 40 up 2% as Paris hits all-time high



ish bonds were swept higher in the wake of US treasuries. The interest rate-sensitive banks and electric utilities led the broad market higher with gains of 2.5 and 2.6 per cent respectively as the gen eral index rose 8.27 or 1.8 per cent to 466.47.

FRANKFURT improved from a moderate loss to a gain of 1.2 per cent with the Dax index 35.72 higher at an Ibis-indicated 3,028.27. Turnover recovered from DM8.2bn to DM10.4bn.

Dealers attributed the turnaround partly to short covering by dealers, who had bet on less encouraging US data. However, there was also a sharp rise in the US dollar; and, on the debit side, company announcements and analytical criticism took

another bite out of the banking sector.

The banking index, at the floor close, was off 1.9 per cent against an 0.2 per cent fall in the broad market at that time. Prior to that, the sector had risen by 14.8 per cent since January 2. Commerzbank, which had

emed vulnerable recently, fell 82 pfg to DM42.87 on disappointment with its 22 per cent gain in 1996 net profits. Deutsche, an outperformer DM84.65 on an unchanged 1996 dividend.

losses but dealers described higher at 12,480.

Among the telecoms, Stet

rose 1.250 to 1.8.927 after the industry minister said that the government might hold

this year, eased 57 pig to MILAN reversed early

the mood as cautious. The Comit index fell 5.18 to 774.72 while the real-time Mibtel index picked up from a low of 12,220 to finish 101 Olivetti, down 8.4 per cent

on Monday, crashed another 7 per cent early in the day on worries over what surprises might emerge from today's 1996 results. Analysts had predicted net

ses of L900bn or more for 1996, reflecting a series of write downs and restructuring. By the close, investors had regained their composure and the loss had been narrowed to one of L5 at

THE EUROPEAN SERIES 10.30 11.00 12.60 13.00 14.00 15.00 Close Hourly changes FTSE Eurotrack 100 2033.50 2032.15 2032.53 2033.02 2032.43 2034.83 2040.94 2042.48 FTSE Europsek 200 2065.70 2064.43 2065.42 2065.41 2063.79 2072.54 2078.79 2078.80 Jan 23 Jan 27 Jan 24 2037.64 2038.11 2070.13 2076.54

> a golden share until the company was fully privatised. AMSTERDAM ended little changed with the AEX up 0.70 at 683.18 in slack volume after profit warnings from the chemicals sector.

> DSM fell FL 4.30 or 2.4 per cent to FL 176.30 after spiralling raw material costs sparked a forecast of lower earnings for 1966. IHC Caland estimated a drop of a third in profits for

1997 and came off FL 0.70 to FL 112.70. Akzo Nobel eased FI 1.60 to FL 264.60. STOCKHOLM featured Hennes & Mauritz again as

the Affärsvärlden General index ended 28.3 higher at 2,565.0, falling just short of last week's all-time high. The fashion retailer, one of last year's star performers,

had subsided a little from mid-month, but it rebounded SKr75 to SKr1,115 yesterday ahead of results this week. ATHENS put in another winning session, rising by 2.1 per cent as foreign The general index closed 24.07 higher at 1,149.20 in turnover that rose to Dr18.4bn. The rally continued to be led by banks, up 3 per cent, and construction stocks, 3.3 per cent higher.

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New York warns Servas a

ISTANBUL tumbled 8.8 per cent on very heavy profit-taking in what was described by brokers as a welcome correction after this month's rally.

The IMKB National-100 index lost 149 to 1.551. although turnover jumped to a fourth consecutive all-time high of TL71,850bn. The index had surged 74.2 per cent, setting 17 record closes, between January 2 and the close of business on Monday.

News that only two bids were received in the sell-off tender of the flat steelmaker, Eregli, fuelled selling pressure during the afternoon. Eregli lost TL3,250 at TL22.000.

Written and edited by William

Trust banks regain ground as Tokyo recovers

cents to HK\$2.65 on news inspired by hectic local

Bargain hunting took TOKYO into a rebound after three straight days of decline on strong demand for international blue chips among foreign investors and domes tic institutions. Trust banks regained ground on buybacks while leading commercial banks were mixed, writes Gwen Robinson.

The Nikkei 225 average recovered 461.67 or 2.7 per cent to close at the day's high of 17,796.57 after dropping in the morning to a low of 17.195.25.

Volume rose from 348m shares to an estimated 397m. Advances led declines by 797 to 314 with 128 unchanged. The Topix index of all firstection stocks added 19.28 at 1,345.88 and the capitalweighted Nikkei 300 4.02 at 255.06.

in London, the ISE/Nikkei 50 index rose 4.80 to 1.340.42. Blue chips led the market up. Fuiitsu, the day's most active issue, rose Y30 to Y1,220. Sony continued to from January 17 when the benefit from last week's reports that it will enter the digital satellite broadcasting business in a venture with Mr Rupert Murdoch's News Corp, rising briefly to Y8,010 the first time above the Y8,000 level since August

1990 - before ending Y160 higher at Y7,990. Among high-tech issues, Advantest added Y140 to Y6,440 and Matsushita-Kotobuki Electric Industries

rose Y90 to Y3,440. Investors bought back trust banks after heavy selling in recent sessions. Mitsubishi Trust and Banking which fell nearly 13 per cent the previous day on rumours that it had incurred massive losses on derivatives trading. rose Y20 to Y1,120. Sumitomo Trust and Banking gained Y26 to Y870.

Retail issues continued to suffer selling pressure on concerns that the forthcom-

to sell its stake in Freeport that it was considering spin-Indonesia, which operates Japanėse banks one of the world's largest Nikkei indices (rebased) gold and copper mines. HONG KONG rebounded after five straight losses on speculation that Citic Pacific might buy a stake in China Light and Power. The Hang

of 13,450.56 in turnover of Citic and China Light were suspended. One analyst said that a link would be positive for both companies, allowing Citic to continue its diversi-

Seng index rose 108.39 to

13,403.29 after a session high

fication while China Light would have a partner in Asia Securities surged 90

ning off its China business. Giordano recouped 22.5 cents to HK\$4.025 after falling nearly 25 per cent on Mon-KUALA LUMPUR was

dragged down by profittaking and the composite index lost 10.46 to 1,228.89. Tenaga fell 50 cents to M\$12.40 on the government's go-ahead for a private power utility. Telekom, also down 50 cents at M\$20.10, lost ground on worries about increased competition.

Maybank, a strong performer ahead of last Saturday's interim results, gave up 75 cents to M\$28.25. BOMBAY saw a late rally,

demand for State Bank of India, which pulled the BSE-30 index 41.46 higher to SBI shot up Rs18.25 or 6.2

per cent to Rs312.75 on market talk of a relaxation in the 20 per cent foreign buying limit in the stock. TAIPEI ended lower for the third straight session,

giving up early gains ahead of the Chinese new year, which starts on February 4 and ushers in a seven-day holiday. The weighted index dipped 10.75 to 7,146.21 in light turnover of T\$50.4bn.

SYDNEY closed 0.8 per cent lower in cautious trading. The All Ordinaries index ended off 18.8 at

and Commonwealth Bank came off 13 cents to A\$12.54. News Corp tumbled 14 cents to A\$6.68. BHP shed 20 cents to A\$17.87 and CRA came off

26 cents to A\$19.02. Simsmetal fell 29 cents to A\$6.99 after the scrap metal group reported a 43 per cent. shortfall in first half earn-

WELLINGTON moved lower in sympathy with the downturn in Australia. The 40 capital index ended 14.78 or 0.6 per cent lower at 2.378.47

NZ Telecom accounted for 10 points of the day's decline, sliding 12 cents to NZ\$7.35 in turnover of

We thank the following individuals for sharing their strategic insights at our

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> January 22-24, 1997 Cancun

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Doubt over Buigarium debt